

Planning by	Reviewed	Performed by	Final review



Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements
for the year ended 30 June 2019

Mogale City Local Municipality

(Registration number GT 481)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business

Local government (Municipality). The principal activities of the city are to: provide democratic and accountable government to the local municipalities, ensure sustainable service delivery to communities, promote social and economic development, promote a safe and healthy environment and encourage the involvement of communities and community organisations in the matters of local government.

Legislation governing the municipality's operations

Municipal Finance Management Act (Act 56 of 2003)
Municipal Systems Act (Act 32 of 2000)
Municipal Structures Act (Act 117 of 1998)
Constitution of the Republic of South Africa (Act 108 of 1998)
Municipal Property Rates Act (Act 6 of 2004)
Division of Revenue Act (Act 1 Of 2007) and various other acts and regulations
Municipal Budget and Reporting Regulations

Members of Council

Executive Mayor

Cllr P.N. Lipudi

Speaker

Cllr N.C. Mangole

Chief Whip

Cllr S.I. Dube

Municipal Public Accounts Committee

Cllr B.E. Nkosi

Members of Mayoral Committee

MMC LED and Rural Development: Cllr P.T. Molapo

MMC Finance: Cllr N.M. Sedumedi

MMC Utility Management Services: Cllr M. Khuzwayo

MMC Public Works, Roads and Transport: Cllr M.B. Mdlane

MMC Corporate Support Services & Strategic Planning: Cllr T.P. Moeketsi

MMC Intergrated Environmental Management: Cllr M.F. Chohledi

MMC Health and Social Development: Cllr N.E. Cindi

MMC Sports, Recreation, Arts, Culture and Heritage: Cllr C.M. Ntlatlane-Nzwane

MMC Community Safety: Cllr L.G. Resha

MMC Human Settlement; A.K. Setswalo-Moja

Councillors

Cllr Mathapelo L. Agondo

Cllr Farouk Bhayat

Cllr Shabier A. Dabhelia

Cllr Doreen S. David

Cllr Molebatsi J. Jim

Cllr Gilbert K. Gaselebelwe

Cllr Velile Khumalo

Cllr Mathibe P.J. Madumo

Cllr Isaac Mangole

Cllr Pelesi J. Makokwe

Cllr Lerato Modise

Cllr Godfrey I. Moilwanyane

Cllr Rabatho J. Mokotla

Cllr Benard V. Molefe

Cllr Azwindini G. Mutele

Cllr Mlungisi Ndamase

Cllr Batsheba N. Ngakane

Cllr William Ngwako

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General Information

Cllr Tshepo I. Nzwane
Cllr Mavhungu O. Ramadi
Cllr Molefi J. Selibo
Cllr Susan Silaule
Cllr Meshack D. Sithole
Cllr Komityi Mapetla
Cllr Kelebogile Ngwenya
Cllr John Koboekae
Cllr Judas Makgopa
Cllr Rakwena B. Seemela
Cllr Maria L. Khoza
Cllr Livingstone Mruquli
Cllr Goitsemodimo A. Tsele
Cllr Wonderful Segolodi
Cllr Bobie S. Tlapu
Cllr Andries S. Eksteen
Cllr Sharon Govinsamy
Cllr Tyrone M. Gray
Cllr Jacobus J. Holtzhausen
Cllr Moralo O. Sam
Cllr Jacques S. Hoon
Cllr Botshe A. Kubayi
Cllr Johannes N. Kotze
Cllr Christo A. Kotze
Cllr Ntombikayise T. Lebe
Cllr Kagiso E. Lekagane
Cllr Aletta van Loggerenberg
Cllr Edwina Mahne
Cllr Lawrence B. Shabalala
Cllr Lesego L. Lekoto
Cllr Jade Miller
Cllr Ernest Modise
Cllr Margaret Mohube
Cllr Themba E. Mokoena
Cllr Louis W. Moleba
Cllr Maria C.G. Naude
Cllr Lynette E. Du Toit
Cllr Jaqueline L. Pannall
Cllr Pheasant C.O. Reid
Cllr Zillah Wehinger-Maguire
Cllr Chris J van der Westhuizen
Cllr Lynette W. Zwankhuizen
Cllr Tjaart Steenkamp
Cllr Helena H. Kruger
Cllr S.D. Letsie
Cllr Oupa S.S. Moralo
Cllr Cynthia P. Zagagana

Cllr Victor Mahlari
Cllr Nomalizo Kufa
Cllr Annette Fourie
Cllr Lynnette C. Pannall

In the course of the reporting period, the following councillors ceased to be political office-bearers

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General Information

	Cllr M. Holenstein Cllr Brandon May Cllr A. De Lange
Grading of local authority	High Capacity (Grade 5)
Accounting Officer	Mr M.P. Raedani
Chief Finance Officer	Ms D.S. Diale
Registered office	Civic Centre Cnr Commissioner & Market Street Krugersdorp
Business address	Civic Centre Cnr Commissioner & Market Street Krugersdorp 1740
Postal address	P.O Box 94 Krugersdorp
Telephone number	011 951 2000
Auditors	Auditor - General South Africa (AGSA) Registered Auditors
Audit Committee members	Mr Bashir Ahmed (Chair) (From July 2018 – June 2019) Mr Luvuyo Malinga (From July 2018 – June 2019) Mr Todani Nemadzhilili (From July 2018 – June 2019) Mr Luyanda Mangquka (From July 2018 - June 2019) Mr Peter Pekalski (Contract Terminated by Mutual Agreement)

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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MCLM	Mogale City Local Municipality
COIDA	Compensation for Occupational Injuries and Diseases Act
DoE	Department of Energy
DBSA	Development Bank of South Africa
WSIG	Water Services Infrastructure Grant
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
HDA	Housing Development Agency
IAS	International Accounting Standards
NERSA	National Electricity Regulator of South Africa
NDPG	Neighbourhood Development Grant
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
WRDM	West Rand District Municipality
MWIG	Municipal Water Infrastructure Grant
HIV	Human Immunodeficiency Virus
AIDS	Acquired Immunodeficiency Syndrome
VAT	Value Added Tax
SRAC	Sports, Recreation, Arts and Culture
HSDG	Human Settlement Development Grant
INEP	Integrated National Electrification Programme

Mogale City Local Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Standards sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

I certify that the salaries, Allowances and benefits of councillors as disclosed in note 35 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The External Auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 96, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 31 August 2019.

Accounting Officer
M.P. Raedani

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	19 493 283	19 652 405
Receivables from non-exchange transactions	3	155 038 320	200 054 094
Receivables from exchange transactions	4	233 234 402	174 940 828
Cash and cash equivalents	5	60 673 904	40 374 841
Operating lease asset	6	121 517	144 537
VAT receivable	7	36 354 869	33 815 391
		504 916 295	468 982 096
Non-Current Assets			
Investment property	8	682 929 344	665 386 614
Property, plant and equipment	9	5 757 477 183	5 594 092 023
Intangible assets	10	2 586 331	4 837 228
Heritage assets	11	2 494 741	2 466 041
Financial assets	12	762 842	683 884
		6 446 250 441	6 267 465 790
Total Assets		6 951 166 736	6 736 447 886
Liabilities			
Current Liabilities			
Employee benefit obligations	13	13 220 246	13 872 474
Finance lease obligations	14	16 772 867	13 989 050
Unspent conditional grants and receipts	15	138 829	24 344 310
Provisions	16	6 231 356	4 660 371
Payables from non-exchange transactions	17	76 627 038	89 785 923
Payables from exchange transactions	18	802 115 877	727 614 857
Financial liabilities	19	34 809 261	34 665 632
Sundry deposits	20	11 996 801	12 146 360
Consumer deposits	21	57 696 053	55 761 432
		1 019 608 328	976 840 409
Non-Current Liabilities			
Employee benefit obligations	13	239 055 805	231 783 872
Finance lease obligations	14	34 874 590	2 760 880
Provisions	16	87 577 570	82 628 500
Financial liabilities	19	285 363 559	320 431 059
		646 871 524	637 604 311
Total Liabilities		1 666 479 852	1 614 444 720
Net Assets		5 284 686 884	5 122 003 166
Social Responsibility		23 871 526	18 903 126
Accumulated surplus		5 260 815 358	5 103 100 040
Total Net Assets		5 284 686 884	5 122 003 166

* See Note 47

Mogale City Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 536 639 077	1 417 610 092
Rental of facilities and equipment	25	8 740 918	7 575 256
Income from agency services	26	26 305 329	25 621 528
Licences and permits		32 073	20 961
Operational revenue	27	59 417 200	74 786 711
Interest received - Outstanding debtors	28	54 189 936	39 130 115
Interest received - Investment	29	5 100 186	8 524 831
Dividends received	29	24 361	22 643
Total revenue from exchange transactions		1 690 449 080	1 573 292 137
Revenue from non-exchange transactions			
Property rates	30	561 316 872	485 138 272
Transfers & subsidies	31	737 955 222	625 291 774
Fines, Penalties and Forfeits	32	56 335 142	71 897 687
Fair value adjustments investment property	33	19 764 089	226 293 618
Total revenue from non-exchange transactions		1 375 371 325	1 408 621 351
Total revenue		3 065 820 405	2 981 913 488
Expenditure			
Employee related costs	34	(779 708 637)	(726 044 406)
Remuneration of councillors	35	(34 389 973)	(33 340 576)
Depreciation and amortisation	36	(246 431 997)	(271 478 694)
(Impairment loss)/Reversal of impairments	37	(27 697 815)	(4 725 301)
Finance costs	38	(48 036 302)	(52 959 596)
Debt Impairment	39	(244 239 431)	(218 236 064)
Collection costs	40	(45 258 182)	(44 982 634)
Bulk purchases	41	(981 788 596)	(855 924 183)
Contracted services	42	(317 594 654)	(315 738 386)
Transfers and Subsidies	43	(2 771 239)	(1 525 116)
Operational costs	44	(179 122 864)	(218 422 549)
Total expenditure		(2 907 039 690)	(2 743 377 505)
Surplus for the year		158 780 715	238 535 983

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Accumulated surplus	Total net assets
Balance at 01 July 2017	16 093 225	4 863 605 729	4 879 698 954
Changes in net assets			
Social Responsibility Fund	2 809 901	-	2 809 901
Net income (losses) recognised directly in net assets	2 809 901	-	2 809 901
Surplus for the year	-	239 494 271	239 494 271
Total recognised income and expenses for the year	2 809 901	239 494 271	242 304 172
Total changes	2 809 901	239 494 271	242 304 172
Restated* Balance at 01 July 2018	18 903 126	5 103 100 040	5 122 003 166
Changes in net assets			
Surplus for the year	-	157 715 318	157 715 318
Social Responsibility Fund	4 968 400	-	4 968 400
Total changes	4 968 400	157 715 318	162 683 718
Balance at 30 June 2019	23 871 526	5 260 815 358	5 284 686 884

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

* See Note 47

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 518 054 055	1 496 224 090
Property rates		561 316 872	485 138 272
Interest income		59 290 122	47 654 946
Dividends received		24 361	22 643
Grants		713 749 739	640 784 316
Other receipts		85 432 777	159 919 417
		2 937 867 926	2 829 743 684
Payments			
Employee costs		(801 731 125)	(744 588 615)
Suppliers		(1 251 818 714)	(1 090 492 521)
Finance costs		(48 036 302)	(52 959 596)
Other payments		(423 521 016)	(354 633 976)
		(2 525 107 157)	(2 242 674 708)
Net cash flows from operating activities	45	412 760 769	587 068 976
Cash flows from investing activities			
Purchase of property, plant and equipment		(403 486 957)	(443 057 353)
Derecognition of property, plant and equipment		8 690 036	-
Derecognition of investment property		2 142 400	-
Purchase of other intangible assets		-	(4 691 500)
Derecognition of intangible assets		493 667	-
Purchases of heritage assets		(28 700)	-
Net cash flows from investing activities		(392 189 554)	(447 748 853)
Cash flows from financing activities			
Repayment of financial liabilities		(34 923 871)	(118 918 073)
Finance lease payments		-	(24 779 583)
Finance lease receipts		34 651 719	-
Net cash flows from financing activities		(272 152)	(143 697 656)
Net increase/(decrease) in cash and cash equivalents		20 299 063	(4 377 533)
Cash and cash equivalents at the beginning of the year		40 374 841	44 752 374
Cash and cash equivalents at the end of the year	5	60 673 904	40 374 841

* See Note 47

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 536 061 643	(38 789 561)	1 497 272 082	1 536 639 077	39 366 995	
Rental of facilities and equipment	6 256 437	15 018 592	21 275 029	8 740 918	(12 534 111)	46.1
Interest received (Outstanding debtors)	40 193 530	2 367 705	42 561 235	54 189 936	11 628 701	
Income from agency services	27 602 986	(398 064)	27 204 922	26 305 329	(899 593)	
Licences and permits	35 243	8 074	43 317	32 073	(11 244)	
Operational revenue	147 358 721	(24 306 505)	123 052 216	59 417 200	(63 635 016)	46.2
Interest received - investment	7 455 119	(483 509)	6 971 610	5 100 186	(1 871 424)	
Gains on disposal of assets	21 000 000	-	21 000 000	-	(21 000 000)	46.3
Dividends received	-	-	-	24 361	24 361	
Total revenue from exchange transactions	1 785 963 679	(46 583 268)	1 739 380 411	1 690 449 080	(48 931 331)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	575 190 304	(15 032 481)	560 157 823	561 316 872	1 159 049	
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Transfer revenue

Transfers and subsidies	684 033 072	55 021 851	739 054 923	737 955 222	(1 099 701)	
Fines, Penalties and Forfeits	43 819 500	5 846 119	49 665 619	56 335 142	6 669 523	
Fair value adjustments investment property	-	-	-	19 843 047	19 843 047	

Total revenue from non-exchange transactions	1 303 042 876	45 835 489	1 348 878 365	1 375 450 283	26 571 918	
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Total revenue	3 089 006 555	(747 779)	3 088 258 776	3 065 899 363	(22 359 413)	
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Expenditure

Employee related costs	(784 184 543)	(4 879 593)	(789 064 136)	(779 708 637)	9 355 499	
Remuneration of councillors	(37 057 185)	-	(37 057 185)	(34 389 973)	2 667 212	
Depreciation and amortisation	(286 136 391)	58 195 045	(227 941 346)	(246 431 997)	(18 490 651)	46.4
Impairment loss/ Reversal of impairments	-	-	-	(27 697 815)	(27 697 815)	
Finance costs	(56 657 893)	-	(56 657 893)	(48 036 302)	8 621 591	
Debt Impairment	(104 703 934)	8 273 313	(96 430 621)	(244 239 431)	(147 808 810)	
Collection costs	(35 727 778)	(2 667 347)	(38 395 125)	(45 258 182)	(6 863 057)	46.5
Bulk purchases	(992 168 186)	52 613 669	(939 554 517)	(981 788 596)	(42 234 079)	46.6
Contracted Services	(254 500 812)	(91 007 848)	(345 508 660)	(317 594 654)	27 914 006	
Transfers and Subsidies (operational expenditure)	(3 443 400)	(1 000 000)	(4 443 400)	(2 771 239)	1 672 161	
Operational costs	(144 583 495)	(58 405 785)	(202 989 280)	(179 122 864)	23 866 416	
Total expenditure	(2 699 163 617)	(38 878 546)	(2 738 042 163)	(2 907 039 690)	(168 997 527)	
Surplus/(deficit)	389 842 938	(39 626 325)	350 216 613	158 859 673	(191 356 940)	

See note 46

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	16 307 694	3 344 711	19 652 405	19 493 283	(159 122)
Receivables from non-exchange transactions	-	-	-	155 038 320	155 038 320
Receivables from exchange transactions	468 952 209	(92 119 416)	376 832 793	233 234 402	(143 598 391)
Cash and cash equivalents	319 559 973	(102 018 297)	217 541 676	60 673 904	(156 867 772)
Operating lease asset	-	-	-	121 517	121 517
VAT receivable	-	-	-	36 354 869	36 354 869
	804 819 876	(190 793 002)	614 026 874	504 916 295	(109 110 579)

Non-Current Assets

Investment property	506 131 485	-	506 131 485	682 929 344	176 797 859
Property, plant and equipment	5 795 731 160	38 049 252	5 833 780 412	5 757 477 183	(76 303 229)
Intangible assets	19 993 490	(2 872 400)	17 121 090	2 586 331	(14 534 759)
Heritage assets	-	-	-	2 494 741	2 494 741
Financial assets	-	-	-	762 842	762 842
	6 321 856 135	35 176 852	6 357 032 987	6 446 250 441	89 217 454

Total Assets	7 126 676 011	(155 616 150)	6 971 059 861	6 951 166 736	(19 893 125)
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Liabilities

Current Liabilities

Employee benefit obligations	-	-	-	13 220 246	13 220 246
Finance lease obligations	-	-	-	16 772 867	16 772 867
Unspent conditional grants and receipts	-	-	-	138 829	138 829
Provisions	28 251 492	(9 718 647)	18 532 845	6 231 356	(12 301 489)
Payables from non-exchange transactions	-	-	-	76 627 038	76 627 038
Payables from exchange transactions	439 807 517	95 346 800	535 154 317	802 115 877	266 961 560
Financial liabilities	34 665 632	1 562 599	36 228 231	34 809 261	(1 418 970)
Sundry deposits	-	-	-	11 996 801	11 996 801
Consumer deposits	67 570 294	337 498	67 907 792	57 696 053	(10 211 739)
	570 294 935	87 528 250	657 823 185	1 019 608 328	361 785 143

Non-Current Liabilities

Employee benefit obligations	-	-	-	239 055 805	239 055 805
Finance lease obligations	-	-	-	34 874 590	34 874 590
Provisions	242 648 179	-	242 648 179	87 577 570	(155 070 609)
Financial liabilities	348 065 439	(53 880 867)	294 184 572	285 363 559	(8 821 013)
	590 713 618	(53 880 867)	536 832 751	646 871 524	110 038 773

Total Liabilities	1 161 008 553	33 647 383	1 194 655 936	1 666 479 852	471 823 916
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Net Assets	5 965 667 458	(189 263 533)	5 776 403 925	5 284 686 884	(491 717 041)
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Mogale City Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Reserves						
Social Responsibility Fund	17 774 531	1 128 595	18 903 126	23 871 526	4 968 400	
Accumulated surplus	5 947 892 927	(190 392 128)	5 757 500 799	5 260 815 358	(496 685 441)	
Total Net Assets	5 965 667 458	(189 263 533)	5 776 403 925	5 284 686 884	(491 717 041)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	609 971 778	(49 813 956)	560 157 822	561 316 872	1 159 050	
Services charges	1 536 061 647	(38 789 565)	1 497 272 082	1 518 054 055	20 781 973	
Other Revenue	90 291 418	139 932 241	230 223 659	85 432 777	(144 790 882)	
Government - Operating	393 900 535	(3 762 226)	390 138 309	713 749 739	323 611 430	
Government - capital	290 132 532	58 784 081	348 916 613	-	(348 916 613)	
Interest	47 648 650	1 884 195	49 532 845	59 290 122	9 757 277	
Dividend income	-	-	-	24 361	24 361	
	2 968 006 560	108 234 770	3 076 241 330	2 937 867 926	(138 373 404)	

Payments

Suppliers and employee costs	(2 363 296 777)	(98 531 294)	(2 461 828 071)	(2 053 549 839)	408 278 232	
Finance costs	(45 983 966)	(10 673 927)	(56 657 893)	(48 036 302)	8 621 591	
Other payments	-	-	-	(423 521 016)	(423 521 016)	
	(2 409 280 743)	(109 205 221)	(2 518 485 964)	(2 525 107 157)	(6 621 193)	

Net cash flows from operating activities	558 725 817	(970 451)	557 755 366	412 760 769	(144 994 597)	
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Cash flows from investing activities

Derecognition of property, plant and equipment	21 000 000	-	21 000 000	8 690 036	(12 309 964)	
Capital Assets	(386 739 113)	(35 176 813)	(421 915 926)	-	421 915 926	
Purchase of property, plant and equipment	-	-	-	(403 486 957)	(403 486 957)	
Derecognition of investment property	-	-	-	2 142 400	2 142 400	
Purchase of heritage assets	-	-	-	(28 700)	(28 700)	
Derecognition of intangible assets	-	-	-	493 667	493 667	

Net cash flows from investing activities	(365 739 113)	(35 176 813)	(400 915 926)	(392 189 554)	8 726 372	
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Cash flows from financing activities

Short term loans	100 000 000	(25 000 000)	75 000 000	(34 923 871)	(109 923 871)	
Repayment of borrowing	(134 665 632)	25 000 000	(109 665 632)	-	109 665 632	
Finance lease receipts	-	-	-	34 651 719	34 651 719	

Net cash flows from financing activities	(34 665 632)	-	(34 665 632)	(272 152)	34 393 480	
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Net increase/ decrease in cash held	158 321 072	(36 147 264)	122 173 808	20 299 063	(101 874 745)	
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Cash/cash equivalents at the year begin	44 752 655	(4 377 814)	40 374 841	40 374 841	-	
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Cash and cash equivalents at the end of the year	203 073 727	(40 525 078)	162 548 649	60 673 904	(101 874 745)	
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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	575 190 303	(15 032 480)	560 157 823	-		560 157 823	561 316 872		1 159 049	100 %	98 %
Service charges	1 536 061 647	(38 789 565)	1 497 272 082	-		1 497 272 082	1 536 639 077		39 366 995	103 %	100 %
Investment revenue	7 455 120	(483 510)	6 971 610	-		6 971 610	5 124 547		(1 847 063)	74 %	69 %
Transfers recognised - operational	393 900 535	(3 762 224)	390 138 311	-		390 138 311	389 862 618		(275 693)	100 %	99 %
Other own revenue	286 266 423	(1 464 084)	284 802 339	-		284 802 339	224 784 687		(60 017 652)	79 %	79 %
Total revenue (excluding capital transfers and contributions)	2 798 874 028	(59 531 863)	2 739 342 165	-		2 739 342 165	2 717 727 801		(21 614 364)	99 %	97 %
Employee costs	(784 184 543)	(4 879 593)	(789 064 136)	-	-	(789 064 136)	(779 708 637)	-	9 355 499	99 %	99 %
Remuneration of councillors	(37 057 185)	-	(37 057 185)	-	-	(37 057 185)	(34 389 973)	-	2 667 212	93 %	93 %
Debt impairment	(104 703 934)	8 273 313	(96 430 621)			(96 430 621)	(244 239 431)	-	(147 808 810)	253 %	233 %
Depreciation and asset impairment	(286 136 391)	58 195 045	(227 941 346)			(227 941 346)	(274 129 812)	-	(46 188 466)	120 %	96 %
Finance charges	(56 657 893)	-	(56 657 893)	-	-	(56 657 893)	(48 036 302)	-	8 621 591	85 %	85 %
Materials and bulk purchases	(1 012 486 236)	58 599 581	(953 886 655)	-	-	(953 886 655)	(981 788 596)	-	(27 901 941)	103 %	97 %
Transfers and grants	(3 443 400)	(1 000 000)	(4 443 400)	-	-	(4 443 400)	(2 771 239)	-	1 672 161	62 %	80 %
Other expenditure	(414 494 035)	(158 066 892)	(572 560 927)	-	-	(572 560 927)	(541 975 700)	-	30 585 227	95 %	131 %
Total expenditure	(2 699 163 617)	(38 878 546)	(2 738 042 163)	-	-	(2 738 042 163)	(2 907 039 690)	-	(168 997 527)	106 %	108 %
Surplus/(Deficit)	99 710 411	(98 410 409)	1 300 002	-		1 300 002	(189 311 889)		(190 611 891)	(14 562)%	(190)%

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	290 132 532	58 784 080	348 916 612	-		348 916 612	347 823 363		(1 093 249)	100 %	120 %
Surplus (Deficit) after capital transfers and contributions	389 842 943	(39 626 329)	350 216 614	-		350 216 614	158 511 474		(191 705 140)	45 %	41 %
Surplus/(Deficit) for the year	389 842 943	(39 626 329)	350 216 614	-		350 216 614	158 511 474		(191 705 140)	45 %	41 %
Capital expenditure and funds sources											
Total capital expenditure	386 739 113	35 176 813	421 915 926	-		421 915 926	406 297 249		(15 618 677)	96 %	105 %
Sources of capital funds											
Transfers recognised - capital	290 132 532	58 784 080	348 916 612	-		348 916 612	347 823 363		(1 093 249)	100 %	120 %
Internally generated funds	96 606 581	(23 607 267)	72 999 314	-		72 999 314	58 473 883		(14 525 431)	80 %	61 %
Total sources of capital funds	386 739 113	35 176 813	421 915 926	-		421 915 926	406 297 246		(15 618 680)	96 %	105 %

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	558 725 815	(970 450)	557 755 365	-		557 755 365	412 760 769		(144 994 596)	74 %	74 %
Net cash from (used) investing	(365 739 113)	(35 176 813)	(400 915 926)	-		(400 915 926)	(392 189 554)		8 726 372	98 %	107 %
Net cash from (used) financing	(34 665 632)	-	(34 665 632)	-		(34 665 632)	(272 152)		34 393 480	1 %	1 %
Net increase/(decrease) in cash and cash equivalents	158 321 070	(36 147 263)	122 173 807	-		122 173 807	20 299 063		(101 874 744)	17 %	13 %
Cash and cash equivalents at the beginning of the year	44 752 655	(4 377 814)	40 374 841	-		40 374 841	40 374 841		-	100 %	90 %
Cash and cash equivalents at year end	203 073 725	(40 525 077)	162 548 648	-		162 548 648	60 673 904		101 874 744	37 %	30 %

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 General Information

The address of Mogale City Local Municipality's registered office, principal place of business, legal form of entity, nature of business and principal activities are disclosed under 'General Information' on page 1 and 3 of these annual financial statements.

1.2 Basis of preparation

The annual financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on the cash balance are disclosed.

1.3 Basis of measurement

These annual financial statements were prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

1.4 Functional and presentation currency

The annual financial statements are presented in South African Rand, which is Mogale City's functional currency. All financial information presented in Rand has been rounded to the nearest rand.

1.5 Going Concern

The financial statements were prepared on a going-concern basis. The assumption is that Mogale City will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations and objectives.

1.6 GRAP Standards effective for the current financial year

The standard of GRAP 20: Related parties becomes effective from 1 April 2019. The municipality has formulated an accounting policy for this reporting period and will fully implement the standard during the next financial year.

During the current financial year numerous standards were amended and improved. The municipality has adopted the improvements for the first time in the 2019 annual financial statements.

Amended Standards	Effective date	Expected impact:
GRAP 21: Impairment of non-cash generating assets	1 April 2018	Material
GRAP 26: Impairment of cash generating assets	1 April 2018	Material

1.7 Standards approved not yet effective

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 20 Related parties	Effective 1 April 2019	Material
GRAP 18 Segment reporting	Effective 1 April 2020	Material
GRAP 32 Service Concession Arrangements	Effective 1 April 2019	Material
GRAP 108 Statutory receivables	Effective 1 April 2019	Material
iGRAP 17 Service Concession arrangements	Effective 1 April 2019	Material
iGRAP 18 Recognition and derecognition of Land	Effective 1 April 2019	Material
iGRAP 19 Liabilities to pay Levies	Effective 1 April 2019	Material
GRAP 109 Accounting by Principals and Agents	Effective 1 April 2019	Material
GRAP 34 Separate Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 35 Consolidated Financial Statements	Not yet effective	Not material – not applicable to entity currently
GRAP 36 Investments in Associates and Joint Ventures	Not yet effective	Not material – not applicable to entity currently

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Accounting Policies

(continued)

GRAP 37 Joint Arrangements	Not yet effective	Not material – not applicable to entity currently
GRAP 38 Disclosure of Interests in Other Entities	Not yet effective	Not material – not applicable to entity currently
GRAP 110 Living and Non-Living Resources	Effective 1 April 2020	Material – not applicable to entity currently

1.8 Standards not implemented

The following approved and effective Standards of GRAP have not been implemented in the preparation of the annual financial statements as they are not applicable to the business operations of Mogale City.

GRAP 4	The effects of changes in foreign exchange rates
GRAP 6	Consolidated and separate financial instruments
GRAP 7	Investments in associates
GRAP 8	Interest in joint ventures
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 27	Agriculture
GRAP 107	Mergers
GRAP 105	Transfer of functions between entities under common control
GRAP 106	Transfer of functions between entities not under common control

1.9 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying the Mogale City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

1.9.1 Classification of leases

All arrangements that are classified as leases are evaluated as Operating and Finance leases. These are then accounted for in the annual financial statements in terms of the relevant GRAP standard.

1.9.2 Employee benefits including pension and other post-employment benefits

The cost of defined-contribution plans and other employment medical aid benefits are determined by using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, health care cost inflation rate, net of health care cost inflation discount rate, maximum subsidy inflation rate, and net of maximum subsidy inflation discount rate, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. We value the liability by using the Projected Unit Credit Method.

1.9.3 Impairment of receivables

A comprehensive methodology for impairment of receivables is utilised by the municipality in assessing receivables for impairment and for determining the extent to which receivables are impaired in line with GRAP 104. Management's estimates and judgement are utilised in the analysis of receivables and calculation of impairment.

The Municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a credit balance at reporting date;
- Receivable accounts where the balance at reporting date is zero;
- Receivable accounts where the Municipality is the owner;
- Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due (with the exception of handed over accounts).

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

(continued)

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

- Accounts handed over to debt collectors for collection.
- Accounts identified as section 118(3) historical debts.
- Accounts wherein the accountholder is indicated to be or will be under debt review, subject to liquidation, sequestration or any similar arrangement.
- Accounts where the accountholder has a current repayment arrangement as at the reporting date.
- All accounts indicated as in-active accounts on the system;
- Accounts that have been formally presented to Council for write off.
- Accounts with balances outstanding for 30 days and longer as these account holders have defaulted and the accounts are considered to be past due date.
- Accounts where the account holder is an approved indigent at reporting date.
- Accounts where the last payment date by the account holder was more than 2 months before the end of the reporting period.
- Accounts other than the above which in Management's view could be impaired taking any other factors at management's disposal into consideration.

The impairment loss is calculated as the difference between the carrying values of the receivable at reporting date less the present value of expected future cash flows. Expected future cash flows will be calculated based on management's experienced judgment.

Receivables will not be discounted when calculating the estimated impairment allowance as account holders within a municipality are granted normal credit terms that are applicable in the public sector. Accounts where a formal debt repayment arrangement has been entered into with the customer will however be discounted at the prime lending rate as the municipality does not charge interest on accounts wherein an arrangement has been entered into.

A provision for impairment of traffic fines is raised based on the average percentage of uncollected fines in the preceding 3 years, fines older than 3 years are considered to be impaired and are written off.

1.9.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment, heritage assets, intangible assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment, heritage assets, intangible assets and investment property.

1.9.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgement is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material.

1.9.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.10 Budget information

Mogale City is typically subject to budgetary limits in the form of budget authorisations (or equivalent), which is given effect through MFMA and the appropriate budget regulations.

The approved budget:

- Is presented by economic classification linked to performance outcome objectives; and
- Covers the fiscal period from 01 July to 30 June, annually.

The annual financial statements and the budget are prepared on the same basis of accounting. A comparison with the budgeted amounts for the reporting period was included in the Statement of Comparison of Budget and Actual Amounts. Variances between budget and actual amounts are regarded as material when a variance exist of 10% in the statement of financial position, financial performance, cash flow statement and capital expenditure.

All material differences are explained in the notes to the annual financial statements.

1.11 Consistency of policies

The accounting policies are in all material respects consistent with those applied in the previous year.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

(continued)

1.12 Corresponding figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net asset value of the municipality.

Where accounting errors/change in accounting policy have been identified in the current year, the correction/adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Corporate Social Responsibility levy

Mogale City Local Municipality established a 1% Corporate Social Responsibility (CSR) levy during the financial year that ended on 30 June 2010. All Suppliers/Service Providers that are situated outside the borders of the Municipality that are awarded a tender through the Supply Chain Management processes, are obliged to contribute a 1% levy of all the payments that the Municipality makes to them throughout the tender tenure to the Municipality's CSR Fund.

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficits. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

2 FINANCIAL REPORTING TERMS

2.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

2.2 Cash generating assets

Cash generating assets are those assets held by Mogale City with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

2.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

2.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Mogale City uses management's best estimate of future price(s) that could be achieved at arm's length transactions in estimating.

The future cash inflows used to determine the asset's or cash generating unit's value in use; and

The future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing.

2.5 Costs of disposal

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

2.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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Accounting Policies

(continued)

2.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

2.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

2.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

2.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

2.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

2.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

2.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

At initial recognition the Municipality shall designate:

- An asset as non cash generating or
- An asset or cash generating unit as cash generating

The designation is made on the basis of the Municipality's objective of using the asset.

2.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Mogale City from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets: Property, plant and equipment; Investment property; Intangible asset; and Heritage assets.

2.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

2.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

2.18 Useful life

Useful life is either:

The period of time over which an asset is expected to be used by Mogale City; or

The number of production or similar units expected to be obtained from the asset by Mogale City.

2.19 Value in use of cash generating assets

The following elements shall be reflected in the calculation of an asset's value in use:

An estimate of the future cash flows the Municipality expects to derive from the asset;

Expectations about possible variations in the amount or timing of those future cash flows;

The time value of money, represented by the current market risk-free rate of interest

The price for bearing the uncertainty inherent in the asset and

Other factors, such as liquidity, that market participants would reflect in pricing the future cash flows expected to be derived from the asset.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

(continued)

Cash-generating units are those assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

2.20 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Mogale City would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property. Mogale City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

Property, plant and equipment is initially measured at cost, including all directly attributable costs necessary to bring the asset to its required working condition for its intended use. Subsequently property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

3.1.1 Assets under construction

Costs capitalised for work in progress in respect of activities to develop, enhance, or expand items of property, plant and equipment are classified as part of assets under construction. Assets under construction are capitalised once they are ready for use, that is, recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are carried at historical costs net of any impairment losses. Finance expenditure, net of finance income, are capitalised on qualifying asset. Depreciation only commences once the asset is ready for use.

Mogale City discloses information relating to assets under construction or development of Investment Property, Property, Plant and Equipment, Intangible Asset and Heritage Asset in the note of the relevant asset.

3.1.2 Significant components

Significant components, major spare parts and standby equipment's that have different useful lives or can be used in more than one period, are accounted for as separate items (major components) of property, plant and equipment. Spare parts and stand by equipment which can only be used in connection with a specific item of property, plant and equipment are accounted for as part of that item. Componentization of assets is based on part of an asset significant cost in relation to the total cost.

3.1.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If

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Accounting Policies

(continued)

expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

3.1.4 Derecognition of items of property, plant and equipment

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included in surplus or deficit when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Derecognition of Land

When to recognise and derecognise land is based on control, not only legal title.

3.1.5 Reclassification of items of Property, Plant and Equipment

Assets which Mogale City holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sales of these assets are recognised as revenue.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly.

Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in statement of financial position and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

3.1.6 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation charge for each period is recognised in surplus or deficit in the financial performance. Land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. Changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis. As Mogale City maintains and acquires assets to provide a social service to the community, the useful lives and economic lives of these assets are equal. Consequently, no residual values are determined.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Type	Component Type	Estimated Useful Life
Building	Air conditioning	20
	Electrical installation	30
	Finishes, fixtures & fittings	15
	Fire protection	20
	Floor	50
	Lifts	10
	Plumbing	20
	Roof	40
	Security system	20
	Walls	30-60
Civil Structure	Carports	7
	Earth Structure	50
	Erosion Protection	50
	Filter media	10
	Leachate drainage system	50
	Lining - landfill	50
	Masonry structure	30

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	RC Structure	50-80
	Retaining wall	60
	Well	30
Communal sanitation	Septic Tank	40
Drainage	Channel	5
	Culvert	60
	Grid Inlet	30
	Kerb	20
	Kerb Inlet	20
	Sub-soil drain	60
Earthworks	Earthworks	100
	Landfill restoration	20-40
Electrical equipment	Control Cable	50
	Isolator	30
	MV Cable	50
	Telemetry	15
External facilities	Bin / Container	10
	External furniture	20
	External lighting	30
	Irrigation	10
	Landscaping	30
	Perimeter Protection	8-30
	Small building / enclosure	20
	Tank	15
Footpath / Paving	Paving	20
HV Conductor	HV Cable	50
	HV Overhead line	50
HV Substation	Batteries	20
	Current transformer	45
	HV Power Transformer	45
	HV Switchgear - Circuit Breaker	50
	HV Switchgear - Isolating Link	50
	HV Switchgear - Isolators	50
	Transformer NEC	45
	Transformer NER	45
	Voltage Transformer	45
LV Conductor	LV Cable	50
Mechanical equipment	Aerator	20
	Blower	20
	Bowser	10
	Compressor	10
	Conveyor	20
	Doser	15
	Dosing Plant	15
	Engine	15
	Gas control equipment	15
	Gearbox	15
	Generator	20
	Grit Classifier	30
	Mixer	20
	Motor	15
	Pump - sewer	15
	Pump - submersible	8-15
	Pump - water	15
	Rotating scraper assembly	20
	Trickling Filter	20
	Wash water system	15
	Weigh bridge	15
Metal work	Fabricated Steel	20-30
	Guard rail	15
Municipal Service Connection	Electrical service connection	50

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	Electricity Meter	10-20
	Load Shed Relay	20
	Sanitation Connection	50
	Water Connection	50
	Water Meter	10
MV Conductors	MV Overhead line	50
MV Mini-sub	Mini-Sub	45
	Transformer	45
MV Primary substation	MV Switchgear - Circuit Breaker	50
MV Substation	Battery Charger	10
	Control panel	50
	Load Control Set	20
	MV Switchgear - Isolating Link	50
	MV Switchgear - Isolators	50
	MV Transformer	45
	Panel_switchgear	50
	Power factor equipment	30-50
MV Transformer	Pole Transformer	45
Pavement	Road structural layer	30
	Road surface	3
Pedestrian bridge	Pedestrian bridge substructure	100
	Pedestrian bridge superstructure	100
Pipe work	Communal standpipe - Pedestal	10
	Hydrant	20
	Pipe - sewer	40
	Pipe - stormwater	50
	Pipe - water	40
	Valve	20
Public Lighting	High mast	45
	Street Light	45
Road Bridge	Road bridge sub-structure	100
	Road bridge super-structure	100
Road Furniture	Advertisement Signs	7
	Billboards	7
	Cat eyes	3
	Commuter shelter	15
	Footpath / Paving	20
	Mini round-about	20
	Road marking: Guidance	5
	Road marking: Regulatory	5
	Road marking: Warning	5
	Sign - general	20
	Sign - regulatory	7
	Speed hump	20
	Street rubbish bin	10-30
	Street sign	20
	Traffic island	20
	Traffic signal	15
Service connection on site	LV Overhead Line	45
	Pipe - sewer (incl manholes)	40-60
Sports facilities	Bowling green	20
	Sports field	15-50
	Stadium	50
	Swimming pool	20
	Tennis court	15
Moveable assets	Office Equipment	3-10
	Furniture and Fittings	7-10
	Motor Vehicles	3-20
	Plant and Equipment	2-15
	Emergency Equipment	5-15

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Bins and containers	5-10
Books	5-10
Animals	20-80

3.2 Investment property

Investment property includes property (land or a building or part of a building or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or sale of assets in the ordinary course of operations. This is the criteria that the Municipality used to distinguish between Property Plant and Equipment and Investment Property.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in surplus or deficit.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in net surplus or deficit when it becomes receivable.

3.3 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or arises from binding arrangements (including rights from contracts) regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Mogale City does not have intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortised on a straight line basis over their estimated useful life. The amortisation charge for each period is recognised in the Statement of Financial Performance.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and Mogale City intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the Statement of Financial Performance. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The amortisation methods, assumption and estimated remaining useful life are reviewed annually. Any changes in the above are accounted for as a change in accounting estimate in the Statement of Financial Performance, on a prospective basis.

Item	Useful Life
Computer Software	3 - 5 years

3.4 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Some heritage assets have more than one purpose, e.g. an historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality must use its judgement to make such an assessment. The asset should be accounted for as a heritage asset if, and only if, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If a significant portion is used for production, administrative purposes or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

Heritage assets are stated at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

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Information on heritage assets that could not be reliably measured on initial recognition is disclosed in the notes to the annual financial statements.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

Mogale City does not depreciate heritage assets. At each reporting date, Mogale City assesses whether there is an indication that it may be impaired. If any such indication exists, Mogale City estimates the recoverable amount or the recoverable service amount of the heritage asset. Any impairment losses are recognised in surplus or deficit.

Improvements to heritage assets are considered as sub-assets and are capitalised if it meets the definition of a heritage asset. Compensation from third parties for items of heritage assets that were impaired, lost or given up is included in surplus or deficit. The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses arising from derecognition of a heritage asset are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

3.5 Inventories

Inventories that qualify for recognition are initially measured at cost. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition. Subsequent to initial recognition inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

Distribution at no charge or for a nominal charge; or

Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

3.6 Receivables

Receivables are recognised initially at fair value, plus transaction costs. Receivables are subsequently recognised at amortised cost, using an effective interest rate less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. An estimate for impairment of receivables is determined based on the impairment methodology for receivables using management's judgement and reasonable estimates.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. The average credit period on services rendered is 30 days from date of invoice.

An impairment allowance for impairment of receivables is established when there is objective evidence that Mogale City will not be able to collect all amounts due according to the original terms of receivables. Accordingly the carrying amount of the receivables is reduced through the use of an impairment allowance for impairment of debtors account. The impairment loss or gain is recognised in surplus or deficit.

An impairment allowance is decreased if the decrease can be related objectively to an event occurring after the impairment was recognised. The impairment is reversed by adjusting the allowance account. The reversal does not result in a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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3.7 Cash and cash equivalents

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. Bank overdrafts are offset against cash and cash equivalents in the Cash Flow Statement.

Cash which is subject to restrictions on its use is stated separately at carrying amount in the statement of financial position.

3.8 Trade and other payables

3.8.1 Payables from exchange transactions

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost.

3.8.2 Payables from Non-exchange transactions.

(a) Any funds which must revert to the National Revenue Fund which have not been approved by the National Treasury to be retained, must be repaid to the National Revenue Fund.

(b) A receiving officer must ensure that all funds referred to in paragraph (a) are repaid to the National Revenue Fund.

The National treasury may offset any funds which must be repaid to the National Revenue Fund but which have not been repaid—in the case of a municipality, against future advances for the equitable share or conditional allocations to that municipality.

Grants which have not been approved by the National Treasury to be retained and need to be surrendered to National Treasury are reclassified as payables from non-exchange transactions to enhance the usefulness of the financial statements and more fairly reflect the nature of the liability at reporting date.

3.9 Financial instruments

Financial instruments are recognised when Mogale City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

3.9.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Mogale City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

3.9.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

3.9.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Mogale City has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

3.9.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

3.9.5 Financial liabilities

After initial recognition, Mogale City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

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3.9.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.9.7 Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial assets	Financial assets measured at fair value
Receivables from non-exchange transactions	Financial assets measured at amortised costs
Receivables from exchange transactions	Financial assets measured at amortised costs
Call Accounts money market accounts	Financial assets measured at amortised costs
Cash and cash equivalents	Financial assets measured at amortised costs

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Financial liabilities	Financial liabilities measured at amortised costs
Payables from non-exchange transactions	Financial liabilities measured at amortised costs
Payables from exchange transactions	Financial liabilities measured at amortised costs
Consumer deposits	Financial liabilities measured at amortised costs
Sundry deposits	Financial liabilities measured at amortised costs
Finance lease obligation	Financial liabilities measured at amortised costs

3.10 Impairment of cash generating assets

Cash generating assets are those assets held by Mogale City with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

3.11 Impairment of non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

3.11.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets or cash generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash generating asset to which it relates, Mogale City recognises a liability only to the extent that is a requirement in the Standards of GRAP.

3.11.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset or cash generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

3.11.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

3.11.4 Depreciation/Amortisation

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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3.11.5 Redesignation

The redesignation of assets from a cash generating asset to a non-cash generating asset or from a non-cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

3.12 Leases

At inception of an arrangement, Mogale City determines whether the arrangement is or contains a lease agreement.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Municipality at the end of the lease term. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the Municipality.

When a lease includes land and buildings elements, Mogale City assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

3.12.1 Finance Lease – Mogale City as lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

3.12.2 Operating leases – Mogale City as lessor

Mogale City presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Mogale City's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Mogale City in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

3.12.3 Finance leases – Mogale City as lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease-term and asset's useful life unless it is reasonably certain that Mogale City will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

3.12.4 Operating leases – Mogale City as lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rentals are charged as expenses in the periods in which they are incurred.

3.13 Employee benefits

3.13.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Mogale City has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

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3.13.2 Defined contribution pension plan and defined benefit pension plans

Mogale City contributes to a defined contribution pension plans for its employees as determined by annual actuarial calculations. This plan is generally funded through payments on a monthly basis to a trustee-administering the funds on behalf of the employees.

3.13.3 Retirement benefits

Defined contribution plans are a post-employment benefit plans under which Mogale City pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

3.13.4 Defined benefit plans - Post-retirement health care benefits

Mogale City provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

3.13.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Mogale City provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute to a Pension Fund retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement age) of the employee multiplied by the number of years that the employee was not allowed to contribute to the Pension Fund retirement benefit plans.

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Mogale City's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation. The present value of the obligation is recognised on the Statement of Financial Position.

3.14 Provisions

A provision is a liability of uncertain timing or amount.

Mogale City recognises a provision when it has a present legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

3.15 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Mogale City's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land,

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restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Mogale City evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Mogale City tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

3.16 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or a present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Mogale City does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Mogale City evaluates the possibility of the outflow of resources or service potential.

3.17 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Mogale City.

Mogale City does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Mogale City continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

3.18 Value-Added Tax

Mogale City accounts for value-added tax (VAT) on the Cash/Payment basis and submissions to SARS are being done on a monthly basis.

3.19 Revenue

Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Mogale City, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Mogale City and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Mogale City derives revenue from exchange and non-exchange transactions.

3.19.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services

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rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Mogale City recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Mogale City.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period. An accrual on the basis of a determined consumption factor is made for consumption not billed as at the end of each reporting period. Residential sanitations service charges are charged based on the applicable tariffs for financial year or period. Business and other consumers' sanitation service charges are based the average of previous financial year's consumption to the applicable tariff. Basic Sewerages is charged based on the area size of the property multiplied by the applicable tariff. Service charges relating to refuse removal are recognised on a monthly basis based on frequency of collection, type of disposal method used and the approved tariff is then applied thereto.

Prepaid water and electricity:

Revenue from the sale of prepayment water and electricity is recognised at the point of sale.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Collection charges are recognised when such amounts are legally enforceable and billed.

Penalty interest on unpaid services is recognised on a time proportion basis.

Dividends

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Dividends are recognised when the municipality's right to receive payment is established.

3.19.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Mogale City received revenue from another entity or individual without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Property rates are charged based on the market value of a property multiplied by the tariff applicable to that property category. Exemptions, rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Transfers and Subsidies

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued. Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any discounts, reductions, withdrawals that are given by the municipality and the courts. Interest is not levied on overdue fines. Subsequently, Mogale City evaluates the probability of recovering these fines based on historical collection on fines issued taking into account any discounts, reductions in the amount payable, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Service in kind is recognised if significant to operations and if not significant then the nature and type is disclosed. Mogale City does not recognise services in-kind as assets or revenue.

3.20 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings.

Mogale City capitalises borrowing costs commences when: Borrowing costs have been incurred; expenditure have been incurred; and it undertakes activities that are necessary to prepare the asset for its intended use or sale. Where Mogale City applies general borrowed funds to obtain a qualifying asset, Mogale City applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Mogale City suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Mogale City ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

3.21 Unauthorised expenditure

Unauthorised expenditure is expenditure: which has not been budgeted for; that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or in the form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

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Accounting Policies

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Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

3.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003); the Municipal Systems Act (Act No.32 of 2000); the Public Office Bearers Act (Act No. 20 of 1998); or is in contravention of the Mogale City's Supply Chain Management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense. Should Council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

3.24 Related parties

Mogale City regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Mogale City is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Mogale City.

Management is regarded as a related party. Management of Mogale City comprises of all political Office Bearers of Mogale City and the Executive Management team. Political Office Bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other Councillors. The Executive Management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

Related party relationships where control exists is disclosed, irrespective of whether there have been transactions between the related parties. In the event that the municipality discloses related party transactions, the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments is disclosed.

All transactions during the reporting period and balances at the end of the reporting period with related parties are disclosed.

3.25 Grants-in-aid

Mogale City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, Mogale City does not:

Receive any goods or services directly in return as would be expected in a purchase or sale transaction; Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period during which the events giving rise to the transfer occurred.

3.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability, but are included in the disclosure notes in the following cases:

Approved and contracted commitments;

Where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP. Where the expenditure can be reliably measured for disclosure requirements, both

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the operational and capital expenditure relating to the commitment is disclosed in the notes.

As and when contracts;

While the municipality may have a budget attached to the contract, there is no commitment/obligation to spend the allocated budget due the nature of the contract. Spending on these contracts will only materialise on circumstances, which may arise in the future over which management has no control. As such, the commitments in terms of these contracts cannot be reliably measured and is disclosed in terms of a narration paragraph.

3.27 Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the financial statements are authorised for issue. Mogale City classifies these events as adjusting or non-adjusting events.

An adjusting event provides further evidence of conditions that existed at the reporting date and includes an event that indicates that the going concern assumption in relation to the whole or part of Mogale City is not appropriate. These events were accounted for in the financial statements.

A non-adjusting event is an event that is indicative of a condition that arose after the reporting date. Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements

3.28 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

The municipality discloses expenditure relating to repairs and maintenance of Property, Plant & Equipment in the notes to the Annual Financial Statements.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
2. Inventories		
Consumable stores	11 721 594	11 800 717
Water for distribution	525 383	605 382
Unsold Properties Held for Resale	7 246 306	7 246 306
	19 493 283	19 652 405

Council item number: K(ii) 3(08/2019)

During the year under review inventory to the amount of R4 392 573 was written off due to robbery and theft. The shortages as a result of the robbery was claimed from insurance and the process of investigation by the insurer has not yet been completed.

No portion of inventory was pledged as security. Inventory is recognised at cost.

3. Receivables from non-exchange transactions

	Gross balance	2019 Allowance for impairment	Net balance	Gross balance	2018 Allowance for impairment	Net balance
Property rates	353 606 234	(298 062 591)	55 543 643	306 001 466	(265 539 732)	40 461 734
Other receivables: Traffic fines and SARS	59 992 941	(36 164 430)	23 828 511	159 671 872	(87 264 397)	72 407 475
Credit balances transferred to payables from non exchange	75 666 166	-	75 666 166	87 184 885	-	87 184 885
	489 265 341	(334 227 021)	155 038 320	552 858 223	(352 804 129)	200 054 094

Age Analysis (Property rates)

Current (0-30 days)	(37 766 262)	(28 085 809)
31-60 days	12 658 918	4 890 529
61-90 days	10 693 116	10 068 454
91-120 days	11 280 868	8 717 555
+ 120 days	356 739 594	310 410 737
	353 606 234	306 001 466

Age Analysis (other receivables and traffic fines)

Current (0-30 days)	30 553 531	24 489 175
31-60 days	-	11 032 333
61-90 days	-	-
91-120 days	8 482 479	14 548 723
+ 120 days	20 956 931	109 601 641
	59 992 941	159 671 872

Credit balance transferred to creditors

Current (0-30 days)	5 268 248	8 500 910
31-60 days	3 486 399	3 789 192
61-90 days	2 049 490	2 404 825
91-120 days	1 376 029	2 030 762
+ 120 days	63 486 000	70 459 196
	75 666 166	87 184 885

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

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Figures in Rand	2019	2018
3. Receivables from non-exchange transactions (continued)		
Receivables from non-exchange transactions past due date but not impaired		
Rates	29 105 146	19 080 072
Other receivables: Traffic Fines and SARS	23 828 511	48 788 425
	52 933 657	67 868 497
Receivables from non-exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.		
Reconcilliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	352 804 129	373 175 009
Current year contribution	92 267 169	57 520 787
Bad debts	(110 844 277)	(77 891 667)
	334 227 021	352 804 129

As at 30 June 2019, total receivables from non exchange transactions were R489 265 341 (2018: R552 858 223).

The amount of the provision for impairment was R334 227 021 as at 30 June 2019 (2018: R352 804 129). The percentage of the provision against total receivables from non exchange transactions was 68.31% as at 30 June 2019 (2018: 63.81%).

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Figures in Rand	2019	2018
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4. Receivables from exchange transactions

Receivables per category	Gross balance	2019 Allowance for impairment	Net balance	Gross balance	2018 Allowance for impairment	Net balance
Electricity	154 995 864	(130 649 475)	24 346 389	139 158 505	(120 757 958)	18 400 547
Water	206 370 442	(173 954 254)	32 416 188	177 355 487	(153 904 258)	23 451 229
Sundry debtors and loans	81 578 638	(51 293 467)	30 285 171	84 458 498	(54 148 034)	30 310 464
Sewerage	225 236 094	(189 856 534)	35 379 560	179 619 513	(155 868 918)	23 750 595
Refuse	221 291 715	(186 531 729)	34 759 986	192 680 899	(167 203 232)	25 477 667
Other(Output VAT, Rentals ,interest,disconnection & reconnection fees ,etc)	434 781 279	(366 486 849)	68 294 430	360 904 983	(313 183 508)	47 721 475
Subtotal	1 324 254 032	(1 098 772 308)	225 481 724	1 134 177 885	(965 065 908)	169 111 977
Sundry staff leave, Personal interim advances & Insurance	381 980	-	381 980	97 798	-	97 798
Credit balances transfered to payables from exchange transactions	7 370 698	-	7 370 698	5 731 053	-	5 731 053
	7 752 678	-	7 752 678	5 828 851	-	5 828 851
	1 332 006 710	(1 098 772 308)	233 234 402	1 140 006 736	(965 065 908)	174 940 828

Electricity

Current (0 -30 days)	61 889 466	49 208 299
31 - 60 days	9 094 867	6 574 016
61 - 90 days	4 266 468	6 514 834
91 - 120 days	4 283 322	5 821 347
121 - 365 days	75 461 741	71 040 009
	154 995 864	139 158 505

Water

Current (0 -30 days)	19 155 525	17 042 858
31 - 60 days	8 559 358	1 732 026
61 - 90 days	3 723 823	6 550 367
91 - 120 days	3 142 903	760 758
121 - 365 days	171 788 833	151 269 478
	206 370 442	177 355 487

Sewerage

Current (0 -30 days)	13 868 294	14 956 607
31 - 60 days	9 125 088	4 060 717
61 - 90 days	6 185 872	3 287 776
91 - 120 days	4 821 707	6 500 112
121 - 365 days	191 235 133	150 814 301
	225 236 094	179 619 513

Refuse

Current (0 -30 days)	7 800 068	5 981 052
31 - 60 days	4 027 977	(553 591)
61 - 90 days	3 554 364	3 328 025
91 - 120 days	3 247 713	2 942 051
121 - 365 days	202 661 593	180 983 362
	221 291 715	192 680 899

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Figures in Rand	2019	2018
4. Receivables from exchange transactions (continued)		
Sundry Debtors and Loans		
Current (0 -30 days)	34 618 931	34 068 038
31 - 60 days	538 037	1 115 963
61 - 90 days	283 343	6 960 118
91 - 120 days	85 172	342 899
121 - 365 days	46 053 155	41 971 481
	81 578 638	84 458 499

Other		
Current (0 -30 days)	25 462 166	23 409 587
31 - 60 days	12 342 568	22 398 215
61 - 90 days	11 559 315	8 740 957
91 - 120 days	12 517 596	8 994 265
121 - 365 days	372 899 634	297 361 959
	434 781 279	360 904 983

Receivables from exchange transactions as at 30 June 2019, were R1 332 051 850 (2018: R1 140 006 736).

The provision for impairment was R1 098 772 308 as at 30 June 2019 (2018: R965 065 908). The percentage of the provision against total receivables from exchange transactions was 82.49% as at 30 June 2019 (2018: 84.65%)

Receivables from exchange transactions past due but not impaired:		
Electricity	12 757 629	8 676 933
Water	16 986 244	11 058 625
Sewerage	18 539 066	11 199 794
Refuse	18 214 406	12 014 209
Other	35 786 622	22 503 465
Sundry debtors and loans	232 113	1 775 222
	102 516 080	67 228 248

Receivables from exchange transactions past due date but not impaired are receivables past 30 days which are not impaired in terms of the impairment methodology.

Reconciliation of allowance for impairment of receivables from exchange transactions

Balance at beginning of the year	965 065 906	777 310 900
Contributions to provision	169 526 039	200 000 385
Bad debts	(35 819 637)	(12 245 377)
	1 098 772 308	965 065 908

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	27 227	38 788
Bank balances	43 182 198	30 753 705
Short-term deposits	17 464 479	9 582 348
	60 673 904	40 374 841

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Figures in Rand	2019	2018
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5. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for South African Post Office Guarantee held at Standard Bank call account no:728430118-001 has been binded as guarantor to South African Post Office for payment of all amounts due and payable, or which may become due and payable by the municipality in respect of bulk postings provided that the total amount to be recovered under this payment guarantee shall not exceed in aggregate the sum of R500 000	500 000	500 000
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank-021307482	988 743	715 096	683 252	989 675	715 934	683 812
Standard Bank-021307474	5 049 923	1 399 851	269 872	5 050 000	1 399 851	269 872
Cheque Account						
Standard Bank-021307385	5 049 923	2 137 790	49 872	5 050 000	2 137 790	49 872
Cheque Account						
Standard Bank-021307172	382 317	333 189	115 934	382 394	333 268	115 231
Cheque Account						
Standard Bank-021307105	3 098 784	2 794 413	829 967	3 099 156	2 794 689	829 967
Cheque Account						
Standard Bank-021306958	3 095 905	1 718 407	1 167 015	2 762 101	1 468 506	209 415
Cheque Account						
Standard Bank-021306532	24 297 409	21 742 565	12 235 927	24 299 063	21 742 800	12 235 483
Cheque Account						
Standard Bank-021457654	1 549 828	160 867	49 695	1 550 000	160 867	49 695
Cheque Account						
Call Accounts	17 464 479	9 582 348	30 265 665	17 464 479	9 582 348	30 265 665
Petty Cash	27 227	38 788	40 324	27 227	38 788	40 324
Total	61 004 538	40 623 314	45 707 523	60 674 095	40 374 841	44 749 336

2019

The differences between bank statement balances and cash book balances amounting to R 330 443 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

In this case, these have been mainly attributed to bank charges and deposits going through the Cash Center after cut-off hours (via Cash In Transit companies) and such still captured after the cut-off time of 20:00hrs pm and therefore would not reflect on the same day's statement immediately.

2018

The differences between bank statement balances and the cash book balances amounting to R248 473 relates to transactions that are received after the cut-off time for the day and are captured the next calendar day, under the retrospective date.

In this case, these have been mainly attributed to bank charges and deposits going through the Cash Centre after cut-off hours (via Cash In Transit companies) and as such still captured after the cut-off time of 20:00hrs pm and therefore would not reflect on the same day's statement immediately.

6. Operating lease asset

Current assets	121 517	144 537
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Leases of assets where all the risks and rewards of ownership are effectively retained by lessor are classified as operating leases. Monies received under operating leases are charged to the Statement of Financial Performance on a straight-line basis over period of the lease. Operating lease receipts represent rental receivables by the municipality for properties leased. The terms are negotiated ranging from 6 months to 25 years. The rentals escalate on average of 10% per annum.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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7. VAT receivable/(payable) (SARS)

VAT receivable	36 354 869	33 815 391
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In line with the accrual basis of accounting, Output VAT is recognised when the Revenue to which it relates is raised on the municipality's accounting records and Input VAT is also recognised when the related Expenditure is accounted for. The Municipality is however on the cash or payment basis for VAT purposes which means that the municipality is only required to declare Output VAT to SARS when payment is actually received and Input VAT is claimable from SARS when payment is made. The above net VAT receivable is thus contingent upon the receipt of the payment from the debtors and payment to suppliers. All VAT Returns are being submitted to SARS on a monthly basis.

Reconciliation of VAT

Input VAT	61 020 111	61 698 085
Output VAT	(24 665 242)	(27 882 694)
	36 354 869	33 815 391

8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	682 929 344	-	682 929 344	665 386 614	-	665 386 614

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Reclassification on	Total
Investment property	665 386 614	19 685 130	(2 142 400)	682 929 344

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Derecognition	Total
Investment property	502 001 258	170 032 356	(6 647 000)	665 386 614

Work in progress with no movement

	Capital Cost Opening	Capital Cost Year	Capital Cost Closing
Investment property	9 215 593	-	9 215 593

An amount was transferred in the 2016/17 financial year to attorneys for the acquisition of land earmarked for development.

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9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	34 246 071	-	34 246 071	32 103 671	-	32 103 671
Buildings	553 184 697	(362 231 752)	190 952 945	548 145 434	(353 828 716)	194 316 718
Plant and machinery	27 409 339	(23 162 744)	4 246 595	27 370 311	(22 213 227)	5 157 084
Furniture and fixtures	20 703 148	(11 154 134)	9 549 014	21 045 619	(9 866 112)	11 179 507
Motor vehicles	19 392 307	(19 034 381)	357 926	19 392 307	(13 891 193)	5 501 114
Office equipment	5 712 973	(5 603 405)	109 568	5 672 980	(5 512 174)	160 806
IT equipment	24 298 436	(17 863 353)	6 435 083	24 393 169	(14 724 163)	9 669 006
Capital WIP Building Property	154 212	-	154 212	154 212	-	154 212
Capital WIP Community	351 684 392	(5 489 672)	346 194 720	249 563 667	-	249 563 667
Roads & Stormwater	3 651 803 241	(1 489 762 168)	2 162 041 073	3 616 188 138	(1 432 891 747)	2 183 296 391
Community	1 129 651 300	(486 157 692)	643 493 608	1 128 491 066	(459 190 711)	669 300 355
Other property, plant and equipment	(71 953 254)	72 607 033	653 779	-	-	-
Capital WIP Roads & Stormwater	16 262 340	(409 393)	15 852 947	1 435 059	-	1 435 059
Capital WIP Sanitation Network	26 395 645	(17 915 949)	8 479 696	119 312 099	-	119 312 099
Capital WIP Electricity Network	138 095 461	(3 173 946)	134 921 515	48 322 434	-	48 322 434
Bins and containers	9 002 040	(7 893 499)	1 108 541	9 002 040	(7 527 812)	1 474 228
Capital WIP Movable Assets	10 153 216	-	10 153 216	7 160 253	-	7 160 253
Electricity Network	2 816 338 144	(1 891 387 110)	924 951 034	2 802 509 475	(1 841 883 023)	960 626 452
Emergency Equipment	87 793	(70 753)	17 040	87 793	(65 698)	22 095
Leased Assets	206 022 596	(156 517 316)	49 505 280	146 251 521	(133 654 845)	12 596 676
Capital WIP Water Network	35 330 517	(1 336 827)	33 993 690	64 546 453	-	64 546 453
Animal PPE	5 348 765	(4 241 686)	1 107 079	5 898 457	(4 118 554)	1 779 903
Inventory Assets	1 938 947	(1 919 977)	18 970	1 918 997	(1 903 374)	15 623
Library Books	33 847 842	(18 123 096)	15 724 746	29 382 200	(16 134 068)	13 248 132
Wastewater Network	1 434 928 140	(835 372 758)	599 555 382	1 285 725 845	(800 686 613)	485 039 232
Water network	1 258 636 682	(694 986 223)	563 650 459	1 184 321 278	(666 213 419)	518 107 859
Air Conditioner	722 163	(719 169)	2 994	722 163	(719 169)	2 994

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9. Property, plant and equipment (continued)

Total **11 739 397 153 (5 981 919 970) 5 757 477 183 11 379 116 641 (5 785 024 618) 5 594 092 023**

Reconciliation of property, plant and equipment - 2019

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In/Out)	Derecognition	Reclassificati on	Depreciation	Additions	Impairment loss	Impairment reversal	Total
Land	32 103 671	-	-	-	-	2 142 400	-	-	-	-	34 246 071
Buildings	194 316 718	-	-	5 093 549	(54 286)	-	(8 403 036)	-	-	-	190 952 941
Plant and machinery	5 157 084	-	-	39 028	-	-	(949 517)	-	-	-	4 246 595
Furniture and fixtures	11 179 507	-	-	14 400	(356 871)	-	(1 288 022)	-	-	-	9 549 034
Motor vehicles	5 501 114	-	-	-	-	-	(5 143 188)	-	-	-	357 926
Office equipment	160 806	-	-	67 363	(27 370)	-	(91 231)	-	-	-	109 568
IT equipment	9 669 006	-	-	724 820	(819 553)	-	(3 139 190)	-	-	-	6 435 083
Capital WIP Building	154 212	-	-	-	-	-	-	-	-	-	154 212
Capital WIP Community	249 563 667	111 191 217	-	(9 070 492)	-	-	-	-	(5 489 672)	-	346 194 722
Roads & Stormwater	2 183 296 391	-	-	39 669 099	(4 053 996)	-	(56 870 421)	-	-	-	2 162 041 073
Community	669 300 355	-	-	3 976 943	(2 816 709)	-	(27 856 802)	-	(28 520)	918 341	643 493 668
Capital WIP Roads & Stormwater	1 435 059	54 496 380	-	(39 669 099)	-	-	-	-	(409 393)	-	15 852 940
Capital WIP Sanitation Network	119 312 099	43 410 013	-	(136 326 466)	-	-	-	-	(17 915 950)	-	8 479 606
Capital Electricity Network	48 322 434	90 814 224	-	(1 041 197)	-	-	-	-	(3 173 946)	-	134 921 515
Bins and containers	1 474 228	-	-	-	-	-	(365 687)	-	-	-	1 108 541
Capital WIP Movable Assets	7 160 253	30 241 416	-	(27 248 453)	-	-	-	-	-	-	10 153 216
Electricity Network	960 626 452	-	12 824 546	1 041 197	(37 073)	-	(49 504 088)	-	-	-	924 951 034
Emergency Equipment	22 095	-	-	-	-	-	(5 055)	-	-	-	17 040
Leased Assets	12 596 676	-	-	21 910 987	(3 552 605)	-	(22 862 471)	41 412 693	-	-	49 505 282
Capital WIP Water Network	64 546 453	45 099 931	-	(74 315 867)	-	-	-	-	(1 336 827)	-	33 993 699
Animals PPE	1 779 903	-	-	-	(549 693)	-	(123 131)	-	-	-	1 107 079
Inventory Assets	15 623	-	-	26 212	(6 262)	-	(16 603)	-	-	-	18 970
Library Books	13 248 132	-	-	4 465 642	-	-	(1 989 028)	-	-	-	15 724 746
Wastewater Network	485 039 232	-	-	136 326 466	(325 139)	-	(34 859 351)	13 200 968	-	173 206	599 555 362
Water Network	518 107 859	-	-	74 315 868	(464)	-	(28 769 489)	-	(3 315)	-	563 650 489
Air Conditioner	2 994	-	-	-	-	-	-	-	-	-	2 994

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9. Property, plant and equipment (continued)

5 594 092 023	375 253 181	12 824 546	-	(12 600 021)	2 142 400	(242 236 310)	54 613 661	(28 357 623)	1 091 547	5 756 823 4
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Repairs and maintenance

All repairs and maintenance for the 2019 financial year amounting to R315 122 520 were incurred in respect of property, plant and equipment.

Repairs and maintenance per asset class - 2019

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure					
Roads infrastructure	20 091 426	9 041 050	441 998	9 563 138	39 137 612
Electrical infrastructure	38 880 777	48 090 005	351 017	10 771 368	98 093 167
Water supply infrastructure	2 107 593	3 093 614	3 951	-	5 205 158
Sanitation infrastructure	29 155 343	66 454 457	153 292	2 015 315	97 778 407
Community Assets					
Community facilities	43 057 933	4 996 913	141 712	1 992 350	50 188 908
Sport and Recreation facilities	8 710 713	40 139	350 325	176 200	9 277 377
Other Assets					
Operational buildings	10 104 725	4 153 274	-	115 601	14 373 600
Libraries	1 043 934	24 357	-	-	1 068 291
	153 152 444	135 893 809	1 442 295	24 633 972	315 122 520

Repairs and maintenance per asset class - 2018

	Employee costs	Contracted services	Other materials	Other expenditure	Total
Infrastructure					
Roads infrastructure	20 834 475	7 724 302	-	-	28 558 777
Electrical infrastructure	37 693 118	3 445 822	-	-	41 138 940
Water supply infrastructure	1 973 298	-	-	-	1 973 298
Sanitation infrastructure	28 167 180	26 192 214	22 700 357	-	77 059 751
Community Assets					
Community facilities	42 055 712	-	-	-	42 055 712
Sport and Recreation facilities	8 909 231	-	-	-	8 909 231
Other Assets					
Operational buildings	9 838 129	2 077 779	-	-	11 915 908
Libraries	649 606	-	-	-	649 606
	150 120 749	39 440 117	22 700 357	-	212 261 223

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9. Property, plant and equipment (continued)

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	WIP Capital Expenditure	Donations	WIP Transfers (In/Out)	Derecognition	Depreciation	Additions	Impairment loss	Total
Land	32 702 978	-	-	-	(599 307)	-	-	-	32 103 671
Buildings	201 900 088	-	-	8 395 134	(7 131 606)	(8 846 898)	-	-	194 316 718
Plant and machinery	6 912 070	-	-	134 691	(666 856)	(1 222 821)	-	-	5 157 084
Furniture and fixtures	8 565 089	-	-	4 988 327	(84 246)	(2 289 663)	-	-	11 179 507
Motor vehicles	3 899 726	-	-	2 989 847	(955 973)	(432 486)	-	-	5 501 114
Office equipment	429 897	-	-	19 329	(79 109)	(209 311)	-	-	160 806
IT equipment	11 899 610	-	-	1 728 401	(96 916)	(3 862 089)	-	-	9 669 006
Capital WIP Building Property	3 129 828	6 552 374	-	(9 527 990)	-	-	-	-	154 212
Capital WIP Community	110 742 508	154 826 258	-	(16 005 099)	-	-	-	-	249 563 667
Roads & Stormwater	2 201 653 936	-	-	39 218 336	(19 253)	(57 556 628)	-	-	2 183 296 391
Community	671 253 861	-	-	27 194 305	-	(24 916 586)	-	(4 231 225)	669 300 355
Capital WIP Roads & Stormwater	9 513 368	18 984 680	-	(27 062 989)	-	-	-	-	1 435 059
Capital WIP Sanitation Network	56 552 702	69 847 819	-	(7 088 422)	-	-	-	-	119 312 099
Capital WIP Electricity Network	21 890 977	36 974 058	-	(10 542 601)	-	-	-	-	48 322 434
Bins and containers	2 470 905	-	-	-	-	(996 677)	-	-	1 474 228
Capital WIP Movable Assets	7 286 742	19 636 280	-	(19 762 769)	-	-	-	-	7 160 253
Electricity Network	1 031 667 344	-	-	793 394	-	(71 834 286)	-	-	960 626 452
Emergency Equipment	38 125	-	-	-	-	(16 030)	-	-	22 095
Leased assets	34 073 968	-	-	-	-	(21 873 623)	396 331	-	12 596 676
Capital WIP Water Network	34 534 063	35 788 692	-	(5 776 302)	-	-	-	-	64 546 453
Animals PPE	4 526 835	-	94 952	-	(2 540 997)	(300 887)	-	-	1 779 903
Inventory assets	18 715	-	-	8 848	-	(11 940)	-	-	15 623
Library books	9 149 947	-	107 933	4 284 657	-	(294 405)	-	-	13 248 132
Wastewater Network	518 911 735	-	-	117 300	-	(33 989 803)	-	-	485 039 232
Water Network	547 930 206	-	-	5 893 603	(36 714)	(35 679 236)	-	-	518 107 859
Air conditioner	3 489	-	-	-	-	(495)	-	-	2 994
	5 531 658 712	342 610 161	202 885	-	(12 210 977)	(264 333 864)	396 331	(4 231 225)	5 594 092 023

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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9. Property, plant and equipment (continued)

Work in progress with no movement	Capital Cost Opening	Capital Cost Year	Closing Cost
Asset Class			
Infrastructure Assets			
Community Assets	138 424 445	-	138 424 445
Electricity Network	11 282 104	-	11 282 104
Sanitation Network	18 617 757	-	18 617 757
Water Supply Network	52 276 493	-	52 276 493
	220 600 799	-	220 600 799

Community Assets

The projects with no movement include the following: Kagiso Ext 13 housing development and Munsieville industrial park. There was no movement due to the unavailability of funds and also complications regarding the completion and closing of some projects

Electricity Assets

The projects with no movement under electricity network are for professional fees and projects such as replacement of low voltage assets which were put on hold due to budget constraints.

Sanitation Network

The projects under sanitation include but not limited to the following: Kagiso hostel water and sanitation, Lindley WWTW and DR Sefularo sewer project. There was no movement for the projects listed under this class due to none allocation of the budget.

Water Supply Network

The projects with no movement include the following: PTN 44 & 49 Kromdraai extension of bulk pipeline, Hartley's extension of bulk pipeline and Pongoville extension of bulk pipeline. Majority of the projects listed are due for capitalisation in the current financial year. Projects such as Munsieville reservoir were put on hold due to budget constraints.

10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	34 956 218	(32 369 887)	2 586 331	35 048 286	(30 211 058)	4 837 228

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Derecognition	Impairment loss	Total
Computer software	4 837 228	(1 758 925)	(92 068)	(399 904)	2 586 331

Reconciliation of intangible assets - 2018

	Opening balance	WIP Capital Expenditure	WIP Transfer to Additions	Amortisation	Total
Computer software	7 784 634	-	4 197 424	(7 144 830)	4 837 228
Capital WIP - Intangible assets	-	4 197 424	(4 197 424)	-	-
	7 784 634	4 197 424	-	(7 144 830)	4 837 228

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11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 494 741	-	2 494 741	2 466 041	-	2 466 041

Reconciliation of heritage assets 2019

	Opening balance	WIP Capital expenditure	WIP Transfer to additions	Total
Library Books, Chief Mogale Statue & Concentration Camp Graves	2 466 041	-	28 700	2 494 741
Library books	-	28 700	(28 700)	-
	2 466 041	28 700	-	2 494 741

Reconciliation of heritage assets 2018

	Opening balance	Total
Library books, Chief Mogale Statue & Concentration camp graves	2 466 041	2 466 041

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12. Financial assets

Residual interest at cost

Listed shares	762 842	683 884
Listed shares (9670 interest in ordinary shares)		
These listed shares held by Sanlam Pty Ltd and were valued at a market value of R78.16 (2018: R70.07) per share (level 1)		

Non-current assets

Residual interest at cost	762 842	683 884
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Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1

Listed shares (9670 interest in ordinary shares)	762 842	683 884
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13. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Medical aid fund	(183 455 583)	(183 014 219)
Long service awards	(68 067 106)	(61 963 292)
Ex-gratia benefits	(753 362)	(678 835)
	(252 276 051)	(245 656 346)

Non-current liabilities	(239 055 805)	(231 783 872)
Current liabilities	(13 220 246)	(13 872 474)
	(252 276 051)	(245 656 346)

The employee benefit obligations was calculated by ARCH Actuarial Consulting from employee information compiled and submitted by the municipality.

Changes in the present value of the defined benefit obligation are as follows: Medical aid subsidy

Opening balance	183 014 219	175 701 975
Net expense recognised in the statement of financial performance	441 364	7 312 244
	183 455 583	183 014 219

Changes in the present value of the defined benefit obligation are as follows: Long service award

Opening balance	61 963 292	54 385 159
Net expense recognised in the statement of financial performance	6 103 814	7 578 133

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13. Employee benefit obligations (continued)

68 067 106 61 963 292

Changes in the present value of the defined benefit obligation are as follows:Ex-gratia benefits

Opening balance	678 834	772 845
Net expense recognised in the statement of financial performance	74 528	(94 011)
	753 362	678 834

Net expense recognised in the statement of financial performance:Medical aid subsidy

Current service cost	8 016 932	7 831 854
Past service cost	(5 880 499)	(5 694 577)
Interest cost	17 297 389	15 968 773
Actuarial (gains) losses	(18 992 458)	(10 793 806)
	441 364	7 312 244

Net expense recognised in the statement of financial performance:Long service award

Current service cost	4 898 846	4 416 957
Past service cost	(8 448 666)	(6 837 084)
Interest cost	4 967 570	4 369 869
Actuarial (gains) losses	4 686 064	5 628 391
	6 103 814	7 578 133

Net expense recognised in the statement of financial performance:Ex-gratia benefits

Past service cost	(80 152)	(184 931)
Interest cost	53 916	61 015
Actuarial (gains) losses	100 764	29 905
	74 528	(94 011)

Key assumptions used:Medical aid subsidy

Assumptions used at the reporting date:

Discount rates used	9.41 %	9.61 %
Expected rate of return on assets	6.88 %	7.42 %
Expected increase in salaries	2.37 %	2.04 %

The basis used to determine the discount rate

A discount rate of 9.41% per annum has been used. The corresponding index-linked yield at this term is 3.35%. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

These rates were calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depends on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

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13. Employee benefit obligations (continued)

A health care cost inflation rate of 6.88% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.38%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.37% which derives from $((1+9.41\%)/(1+6.88\%))-1$.

The expected inflation assumption of 5.38% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.35%) and those of fixed interest bonds (9.41%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.41\%-0.50\%)/(1+3.35\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2020.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total	% change
Central Assumptions		116.508	66.948	183.456	
Health care inflation rate	+1%	127.944	69.193	197.137	7%
	-1%	102.397	64.000	166.397	-9%
Discount Rate	+1%	97.919	61.868	159.787	-13%
	-1%	140.361	72.838	213.199	16%
Post-employment Mortality	-1yr	119.519	69.342	188.861	3%
Average retirement age	-1yr	126.408	66.948	193.356	5%
Continuation of membership at retirement	-10%	93.878	66.948	160.826	-12%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2019

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		8,016,900	17,297,400	25,314,300	
Health care inflation	+1%	8,767,200	18,418,500	27,185,700	7%
	-1%	6,987,300	15,827,400	22,814,700	-10%
Discount Rate	+1%	6,653,800	16,625,300	23,279,100	-8%
	-1%	9,773,000	17,997,700	27,770,700	10%
Post-employment Mortality	-1yr	8,233,900	17,834,300	26,068,200	3%
Average retirement age	-1yr	8,395,300	18,317,300	26,712,600	6%
Continuation of membership at retirement	-10%	6,715,800	15,396,100	22,111,900	-13%

Key assumptions used: Long service award

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13. Employee benefit obligations (continued)

Assumptions used at the reporting date:

Discount rates used	8.08 %	8.53 %
Expected rate of return on assets	5.51 %	6.15 %
Expected increase in salaries	2.44 %	2.24 %

The basis used to determine the discount rate

A discount rate of 8.08% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.08% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.94%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2019.

The liability-weighted average term of the total liability is 6.52 years.

Earnings Inflation Rate: This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.51% was obtained from the differential between market yields on index-linked bonds (2.94%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.08%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.08\%-0.50\%)/(1+2.94\%))-1$.

Thus, a general salary inflation rate of 5.51% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.44%.

It has been assumed that the next salary increase will take place on 1 July 2020.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general earnings inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Liability	% Change
Central Assumptions		68.067	
General earnings inflation	+1%	72.140	6%
	-1%	64.356	-5%
Discount Rate	+1%	64.178	-6%
	-1%	72.412	6%
Average retirement age	-2 yrs	60.248	-11%
	+2 yrs	75.271	11%
Withdrawal Rate	-50%	76.884	13%

Sensitivity Analysis on the current-service and interest costs for the year ending 30 June 2019

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13. Employee benefit obligations (continued)

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		4,898,800	4,967,600	9,866,400	
General earning	+1%	5,276,200	5,284,400	10,560,600	7%
inflation	-1%	4,559,100	4,678,400	9,237,500	-6%
Discount Rate	+1%	4,589,200	5,211,700	9,800,900	-1%
	-1%	5,247,700	4,683,400	9,931,100	1%
Average retirement age	-2 yrs	4,439,000	4,410,600	8,849,600	-10%
	+2 yrs	5,310,000	5,504,200	10,814,200	10%
Withdrawal Rate	-50%	6,156,800	5,792,800	11,949,600	21%

Key assumptions used: Ex-gratia benefits

Assumptions used at the reporting date:

Discount rates used	7.47 %	8.43 %
Expected rate of return on assets	5.33 %	6.13 %
Expected increase in salaries	2.03 %	2.17 %

The basis used to determine the discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

A discount rate of 7.47% per annum has been used. The corresponding index-linked yield at this term is 2.53%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

These rates were calculated by taking the fixed-interest and index-linked yields from the respective bond yield curves at the liability's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

CPI Inflation Rate: This assumption is used to calculate the estimated growth in salaries of the eligible employees.

An expected inflation assumption of 4.33% was obtained from the differential between market yields on index-linked bonds (2.53%) consistent with the estimated term of the liability and those of fixed-interest bonds (7.47%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+7.47\%-0.50\%)/(1+2.53\%)$.

Thus, a salary increase rate of 5.33% per annum over the expected term of the liability has been assumed, which is 1% in excess of Expected CPI inflation over the same term. This assumption reflects a net discount rate of 2.03%.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year decrease in the assumed average retirement age.

Sensitivity Analysis on the unfunded Accrued Liability (R Millions)

Assumption	Change	Total Liability	%change
Central assumptions		753,362	
Salary inflation rate	+1%	759,780	1%
	-1%	747,039	-1%
Discount rate	+1%	747,220	-1%
	-1%	759,711	1%
Average retirement age	-1 yr	769,133	2%

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13. Employee benefit obligations (continued)

Sensitivity Analysis on the interest costs for the year ending 30 June 2019

Assumption	Change	Interest Cost	% Change
Central Assumptions		53,916	
Salary inflation rate	+1%	56,129	4%
	-1%	51,783	-4%
Discount Rate	+1%	58,005	8%
	-1%	49,440	-8%
Average retirement age	-1 yr	56,439	5%

14. Finance lease obligations

Minimum lease payments due

- within one year	30 413 666	17 642 482
- in second to fifth year inclusive	44 249 130	3 207 533
- later than five years	1 743 927	1 870 923
	76 406 723	22 720 938
less: future finance charges	(25 005 074)	(5 971 008)
Present value of minimum lease payments	51 401 649	16 749 930

Present value of minimum lease payments due

- within one year	16 772 867	13 989 050
- in second to fifth year inclusive	33 677 050	1 810 657
- later than five years	951 732	950 223
	51 401 649	16 749 930

Non-current liabilities	34 874 590	2 760 880
Current liabilities	16 772 867	13 989 050
	51 647 457	16 749 930

The average lease term for buildings leased is 30 years at an effective borrowing rate of 13.50% . With fixed contract interest rates from inception. Repayment of leases are fixed, or may escalate and some may fluctuate with the prime lending rate depending on the terms agreed upon.

Assets acquired through finance leases - 2019

	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	148 286	-	(10 188)	138 098
Vehicles	10 388 012	63 323 679	(21 993 241)	51 718 450
Equipment	2 390 382	-	(869 230)	1 521 152
	12 926 680	63 323 679	(22 872 659)	53 377 700

Assets acquired through finance leases - 2018

	Carrying value at the beginning of the year	Additions	Depreciation	Carrying value at the end of the year
Buildings	158 473	-	(10 188)	148 285
Vehicles	36 135 785	-	(25 747 773)	10 388 012
Equipment	-	2 607 689	(217 307)	2 390 382
	36 294 258	2 607 689	(25 975 268)	12 926 679

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15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	8 826 585
Neighbourhood Development Partnership Grant (NDPG)	109 926	-
Human Settlement Development Grant (HSDG)	-	13 383 732
Water Services Infrastructure Grant (WSIG)	20 860	2 109 604
Department of Sports, Arts, Culture and Recreation (SRAC)	6 452	24 387
Financial Management Grant (FMG)	-	2
Integrated National Electrification Programme (INEP)	1 591	-
	138 829	24 344 310

The nature and extent of conditional grants and subsidies recognised in the annual financial statements and the Accounting treatment of conditional grants is explained below:

Conditional grants should only be treated as 'transfers' recognised to revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Any unfulfilled conditions and unspent conditional grants and subsidies will be addressed in terms of section 22 of the Division of Revenue Act and criteria for the roll-overs of unspent conditional grant funds.

See note 31 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Difference	Additions	Change in discount factor	Total
Landfill site rehabilitation	82 628 500	(67 181 150)	-	4 949 070	20 396 420
Provision for performance bonuses	4 660 371	-	1 570 985	-	6 231 356
	87 288 871	(67 181 150)	1 570 985	4 949 070	26 627 776

Reconciliation of provisions - 2018

	Opening Balance	Difference	Additions	Reversed during the year	Change in discount factor	Total
Landfill site rehabilitation	22 775 158	8 706 618	-	-	51 146 724	82 628 500
Provision for performance bonuses	17 264 515	-	1 789 633	(14 393 777)	-	4 660 371
	40 039 673	8 706 618	1 789 633	(14 393 777)	51 146 724	87 288 871
Non-current liabilities					87 577 570	82 628 500
Current liabilities					6 231 356	4 660 371
					93 808 926	87 288 871

In terms of the review performed by Duchame Consulting provision required for restoration of the existing landfill sites is as follows:

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16. Provisions (continued)

1. The Luipaardsvlei Landfill Site has 3 years remaining life of landfill site. The estimated year of site closure is 2021/22. It is assumed that the closure and rehabilitation of the existing cells will coincide with the development of the northern cell, which is anticipated to be completed in 2022.

2. The Magaliesburg Landfill Site has 1 remaining life of landfill site. The estimated year of site closure is 2017/18. The estimated time between site closure and commencement of rehabilitation work is 2 years. The estimated start of rehabilitation work is 01 July 2020.

3. Based on the above, and the prevailing discount rate of 6.7% the provisions at 30 June 2019 will be as follows:

	2019	2018
a. Luipaardsvlei Landfill Site	R72 327 595	R67 789 114
b. Magalies Landfill Site	R6 543 357	R6 132 768
Total Provision	R78 870 952	R73 921 882

17. Payables from non-exchange transactions

Grants transferred to payables from non-exchange transactions	960 872	2 601 038
Credit balance transferred from receivables from non-exchange	75 666 166	87 184 885
	76 627 038	89 785 923

18. Payables from exchange transactions

Trade payables	603 495 416	529 693 011
Credit balance transferred from receivables from exchange transactions	7 370 698	5 731 053
Current lease liability	11 922 222	12 888 889
Unpresented cheques	25 433 289	37 777 028
Third party payments	768 720	2 657 236
Unknown Deposits	30 086 432	23 783 593
Retention	38 188 261	34 165 515
Overtime accrual	3 342 715	2 843 633
Leave accrual	66 218 891	63 821 114
Bonus accrual	15 084 666	14 253 785
Salary accrual	204 567	-
	802 115 877	727 614 857

Over the years the municipality has experienced cash flow constraints, due to inadequate level of revenue collection as a result of the growing unemployment rate and electricity tariffs as approved by Nersa at a level below the increase requested by Council. As a result of these events or conditions a material uncertainty exists that casts significant doubt on the municipality's ability to pay all its creditors when they become due as per section 65 2(e) of the MFMA. The municipality adopted the Financial Turnaround Strategy which is currently implemented with some positive outcomes yielding.

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19. Financial liabilities		
At amortised cost		
DBSA L103217 (1) An unsecured fixed term loan bearing interest at a rate of 12.11% per annum, repayable monthly in equal instalments. This loan was fully paid on 31 October 2018.	-	1 680 813
DBSA L103217(2) An unsecured fixed term loan bearing interest at a rate of 6.65% per annum, repayable monthly in equal instalments. This loan was fully paid on 31 October 2018.	-	337 608
ABSA An unsecured fixed-term loan bearing interest at a fixed rate of 10.16% per annum, repayable monthly in equal instalments. This loan will be fully paid on 2 August 2021.	16 347 163	22 957 102
NEDBANK An unsecured fixed-term loan bearing interest at a fixed rate of 9.21% per annum, repayable monthly in equal instalments. This loan will be fully paid on 31 December 2027.	136 153 408	146 302 665
L239DBSA2029 An unsecured fixed-term loan bearing interest at a fixed rate of 9.875% per annum, repayable monthly for a period of 15 years.	167 672 249	183 818 503
Financial liabilities	320 172 820	355 096 691
2019 During the year under review Mogale City did not source loan financing.		
2018 During this financial year, Mogale City did not source loan financing.		
Non-current liabilities		
At amortised cost	285 363 559	320 431 059
Current liabilities		
At amortised cost	34 809 261	34 665 632
20. Sundry deposits		
Sundry deposits	11 996 801	12 146 360
Sundry deposits consists of hall, kerb, builder's water and key deposits.		
21. Consumer deposits and guarantees		
Electricity	38 284 096	37 619 690
Water	19 411 957	18 141 742
	57 696 053	55 761 432

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22. Long term receivables

	Gross balance			Gross balance		
	Gross balance	2019 Allowance for impairment	Net balance	Gross balance	2018 Allowance for impairment	Net balance
Reconcilliation of Non-Current Recievables						
Stand and housing loans capital	-	-	-	218 540	(218 540)	-

Non-current receivables impaired

As at 30 June 2019, there were no long term receivables (2018: R 218 540) which were impaired.

The ageing of the prior year long term receivables was as follows:

120+	-	218 540
Reconciliation of provision for impairment of non-current receivables		
Opening balance	218 540	225 110
Current year contribution/reversal	(218 540)	(6 570)
	-	218 540

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23. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	155 038 320	155 038 320
Receivables from exchange transactions (refer to note 4)	-	233 234 402	233 234 402
Cash and cash equivalents (refer to note 5)	-	43 209 425	43 209 425
Call accounts money market accounts (refer to note 5)	-	17 464 479	17 464 479
Financial assets (refer to note 12)	762 842	-	762 842
	762 842	448 946 626	449 709 468

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)	51 647 457	51 647 457
Payables from non-exchange transactions (refer to note 17)	76 627 038	76 627 038
Payables from exchange transactions (refer to note 18)	802 115 877	802 115 877
Current financial liabilities (refer to note 19)	34 809 261	34 809 261
Non-Current financial liabilities (refer to note 19)	285 363 559	285 363 559
Sundry deposits (refer to note 20)	11 996 801	11 996 801
Consumer deposits (refer to note 21)	57 696 053	57 696 053
	1 320 256 046	1 320 256 046

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions (refer to note 3)	-	200 054 094	200 054 094
Receivables from exchange transactions (refer to note 4)	-	174 940 828	174 940 828
Cash and cash equivalents (refer to note 5)	-	30 792 493	30 792 493
Call accounts money market accounts (refer to note 5)	-	9 582 348	9 582 348
Financial assets (refer to note 12)	683 884	-	683 884
	683 884	415 369 763	416 053 647

Financial liabilities

	At amortised cost	Total
Current and non-current finance lease obligation (refer to note 14)	16 749 930	16 749 930
Payables from non-exchange transactions (refer to note 17)	89 785 923	89 785 923
Payables from exchange transactions (refer to note 18)	727 614 857	727 614 857
Current financial liabilities (refer to note 19)	34 665 632	34 665 632
Non-Current financial liabilities (refer to note 19)	320 431 059	320 431 059
Sundry deposits (refer to note 20)	12 146 360	12 146 360
Consumer deposits (refer to note 21)	55 761 432	55 761 432
	1 257 155 193	1 257 155 193

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24. Service charges		
Sale of electricity	909 293 129	863 775 566
Sale of water	322 660 931	273 717 583
Sewerage and sanitation charges	206 128 596	191 170 212
Refuse removal	130 568 519	127 699 975
Less: Income forgone (Rebates) - Indigent subsidies	(32 012 098)	(38 753 244)
	1 536 639 077	1 417 610 092

25. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	8 242 086	7 037 346
Rental of sports grounds	35 054	96 881
Rental of laps and carports	85 722	82 208
Rental of halls	287 325	241 336
Other rentals	90 731	117 485
	8 740 918	7 575 256

26. Income from agency services

Agency Service	26 305 329	25 621 528
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Income from Agency Services is recognised on a monthly basis once the income collected on behalf of Provincial Department of Transport has been quantified. The income recognised is in terms of the agreement.

27. Operational revenue

Actuarial gains	18 992 458	10 793 807
Administration fees	267 529	281 124
Advertising	708 369	616 773
Application fees	625 107	496 831
Building plan fees	3 505 119	3 715 431
Bulk service connections	1 611 843	4 671 222
Cemetery fees	2 574 371	2 559 214
Contributions Developers	6 134 925	5 772 364
Insurance claims	551 195	74 645
WRDM-MWIG	-	2 071 158
Other income	2 445 559	5 793 726
Service connections	8 268 246	7 496 387
Donations/Assets transferred (Assets aquired at no cost)	12 998 516	202 885
Training grant	-	1 020 089
Housing Development Agency	-	26 947 475
Meter tampering - Water	733 963	2 273 580
	59 417 200	74 786 711

2019

Assets acquired at no cost/donations

The substations that were created by the developers for Mindalore and Homeshaven and handed over to the municipality.

Provincial rural development also donated water and sanitaion assets.

2018

Assets acquired at no cost/donations. The donation was received for library books.

28. Interest received - Outstanding debtors

Interest received	54 189 936	39 130 115
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29. Investment revenue		
Dividend revenue		
Dividends	24 361	22 643
Interest revenue		
Interest on investment	3 693 786	6 909 484
Interest on favourable balances	1 406 400	1 615 347
	5 100 186	8 524 831
Total revenue from investments	5 124 547	8 547 474
30. Property rates		
Rates received		
Residential	541 000 869	476 891 993
Commercial & Educational Institutions	326 134 830	254 230 411
Small holdings and farms	31 525 380	29 579 413
Less: Income forgone (Rebates)	(337 344 207)	(275 563 545)
	561 316 872	485 138 272

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31. Transfers and subsidies		
Operating grants		
Equitable share	369 809 000	323 937 999
Municipal Infrastructure Grant (MIG)	3 161 591	1 668 062
Expanded public works programme (EPWP)	4 346 000	4 917 000
Performance Management Grant (PMG)	500 000	-
WRDM: HIV/AIDS Grant	2 892 000	3 200 316
Sport, Art, Culture and Recreation (SRAC)	7 661 019	7 251 629
Finance Management Grant (FMG)	1 493 008	1 526 976
	389 862 618	342 501 982
Capital grants		
Department of Energy (DoE)	10 075 409	6 000 000
Water Services Infrastructure grant (WSIG)	27 088 744	33 242 685
Municipal Infrastructure Grant (MIG)	123 964 995	118 900 352
Human Settlement Development Grant (HSDG)	103 422 861	92 482 107
Sport, Art, Culture and Recreation (SRAC)	8 232 529	10 839 650
Neighbourhood Development Partnership Grant (NDPG)	75 251 074	21 235 000
Finance Management Grant (FMG)	56 992	89 998
	348 092 604	282 789 792
	737 955 222	625 291 774

Included above are the following conditional grants and subsidies received:

Conditional grants met		
Municipal Infrastructure Grant (MIG)	127 126 587	-
Finance Management Grant (FMG)	1 550 000	-
Performance Management Grant (PMG)	500 000	-
Expanded Public Works Programme (EPWP)	4 346 000	4 917 000
West Rand District Municipality (WRDM)	2 892 000	3 200 316
Neighbourhood Development Partnership Grant (NDPG)	-	21 235 000
Department of Energy (DoE)	-	6 000 000
Conditions fully met - transferred to revenue	(136 414 587)	(35 352 316)
	-	-

2019

Conditional grants still to be met	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Transfer to payables from non-exchange transactions	Conditions still to be met-transferred to liabilities
Water Services Infrastructure Grant (WSIG)	2 109 604	25 000 000	(27 088 744)	-	20 860
Neighbourhood Development Partnership Grant (NDPG)	-	75 361 000	(75 251 074)	-	109 926
Department of Sports, Arts, Culture and Recreation (SRAC)	24 387	15 900 000	(15 917 939)	-	6 448
Human Settlement Development Grant (HSDG)	13 383 733	91 000 000	(103 422 861)	(960 872)	-
Integrated National Electrification Programme (INEP)	-	10 077 000	(10 075 408)	-	1 592
	15 517 724	217 338 000	(231 756 026)	(960 872)	138 826

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31. Transfers and subsidies (continued)

2018

Conditional grants still to be met	Balance unspent at the beginning of the year	Current year receipts	Conditions met-transferred to revenue	Condition still to be met-transferred to liabilities
Municipal Infrastructure Grant (MIG)	-	129 395 000	(120 568 413)	8 826 587
Finance Management Grant (FMG)	66 976	1 550 000	(1 616 974)	2
Department of Sports, Arts, Culture and Recreation (SRAC)	2 835 665	15 280 000	(18 091 278)	24 387
Water Services Infrastructure Grant (WSIG)	5 352 289	30 000 000	(33 242 685)	2 109 604
Human Settlement Development Grant	596 840	105 269 000	(92 482 108)	13 383 732
	8 851 770	281 494 000	(266 001 458)	24 344 312

Unspent Grants

During the current financial year Mogale City received a total of R714 735 000 for operational and capital grants. Mogale City spent 99.85% (R737 955 222) of the total grants received including grants rolled over from the previous financial year.

The unspent balance of R1 099 701 is made up of R138 830 which relates to unspent grants whose conditions still needs to be met, as well as an amount of R960 872 transferred to payables from non-exchange transactions as the roll over was not approved. Refer to note 15 for details on the unspent grants.

32. Fines, penalties and forfeits

Traffic fines	24 160 050	20 252 600
Penalties imposed	32 168 366	51 638 616
Library fines	6 726	6 471
	56 335 142	71 897 687

Revenue from traffic fines is recognised on the accrual basis. The municipality did not issue speed camera fines during the current and previous financial year.

Revenue received from penalties imposed relates to income received from reconnections of water and electricity which is disconnected due to non payment.

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33. Fair value adjustments		
Investment property fair value adjustments	19 764 089	226 293 618
Fair value shares	78 958	51 435
	19 843 047	226 345 053

2019

Fair value adjustment

As per the results of a valuation conducted by an independent valuer, Manna Holdings (Pty) Ltd, property values increased by a small margin of 1% to 3% depending on the location and condition. This was due to the largely depressed economy and hence no significant exchange of properties in the market during this period.

2018

Fair value adjustment

During the previous financial year the valuation roll was updated with the new fair values of the properties in the Municipality. As the Investment Property is accounted for using the fair value model, the fair value is according to the valuation roll.

34. Employee related costs

Basic salaries	481 866 916	429 357 810
Bonus	33 607 593	47 027 898
Medical aid - company contributions	31 839 298	29 151 839
UIF	3 087 854	2 900 119
Industrial council levy	175 787	170 707
Employee Benefit Obligation - Interest	22 318 874	20 399 657
Leave provision and payments	3 453 606	7 705 939
Actuarial losses	4 786 828	5 658 296
Skills Development Levy	5 743 140	5 707 202
Defined contribution plans	84 023 084	77 250 768
Overtime payments	38 984 186	33 322 104
Long-service awards	186 116	251 244
Acting allowances	2 310 402	2 923 721
Car allowance	48 857 509	46 547 090
Housing subsidy	3 557 554	3 300 752
Section 57 Salaries	14 909 890	14 369 260
	779 708 637	726 044 406

35. Remuneration of councillors

Executive Mayor	1 060 662	1 021 585
Chief Whip	806 551	777 249
Speaker	857 499	825 874
Municipal Public Accounts Committee (MPAC)	784 241	760 422
Mayoral Committee Members	8 066 221	7 771 713
Part time councillors	22 814 799	22 183 733
	34 389 973	33 340 576

36. Depreciation and amortisation

Property, plant and equipment	242 236 310	264 333 864
Intangible assets	1 758 925	7 144 830
	243 995 235	271 478 694

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37. Impairment of assets		
Impairments		
Property, plant and equipment	(28 757 527)	(4 725 301)
Reversal of impairments		
Property, plant and equipment	1 091 547	-
Total impairment losses (recognised)/reversed	(27 665 980)	(4 725 301)
38. Finance costs		
Interest paid	48 036 302	52 959 596

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39. Debt impairment		
Debt impairment	244 239 431	218 236 064
40. Collection cost		
Collection costs	45 258 182	44 982 634

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41. Bulk purchases		
Electricity - Eskom	667 495 067	629 105 082
Water - Rand Water and Johannesburg Water	306 945 036	220 904 003
Wastewater sewer discharge	7 348 493	5 915 098
	981 788 596	855 924 183

2019

Electricity Losses

During the year under Review Mogale City Local Municipality had unaccounted electricity of 9.74% which amounts to 67,262,492.95kwh (6.43%: 2018, 45,159,499.91kwh) . The total rand value of these losses was R 46,499,852.68 (R 34,515,394.88: 2018). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The increase in electricity losses in the 2018/19 financial year were due to an increased number of residents in informal settlements that are illegally connected to the network

Mitigations:

Continuous disconnection of illegal connections with the assistance of the law enforcement agencies

Continuous provision of electricity to all residents residing in informal settlements by the assistance of the Department of Energy (DoE) using INEP funding programme.

2018

Electricity Losses

During the year under Review MCLM had unaccounted electricity of 6.43% 45,159,499.91kwh (10.09 %: 2017, 73,295,951.43kwh) . The total rand value of these losses were R 34,515,394.88 (R 44,672,025.13: 2017). The electricity tariffs are structured in such a manner that it makes provision for the recovery of technical system losses. This is a prerequisite from the National Electricity Regulator before they can approve any electricity tariffs. The NER Benchmark for system losses is 10% and the Financial Benchmark (tolerable range) is between 5-12%.

The reduction in electricity losses in the 2017/18 financial year were due to a number of interventions applied:

Installation of meters in unmetered supply points

Replacement of faulty meters

Termination of illegal connections

Repair of tampered meters

Performing a count of municipal streetlights to obtain a reasonable estimate of internal consumption

Monitoring & Management of the Ripple Control System,

Quarterly monitoring, physical inspections and sealing of prepayment meters,

Monitoring Power Factor Correction equipment's on our big substations,

Continue installing meters on streetlight controllers to monitor their consumption.

2019

Water Losses

During the year under consideration Mogale City Local Municipality had unaccounted water of 12.11% (non-technical losses), 3,982,723.35 kl. The total rand value of these non-technical losses were R 37,164,763.95.

Identified causes of water losses:

1. Water Theft (Illegal Connections) by Businesses/Industries and Residential Consumers
2. Non- Functional Bulk Water Meters (Industrial and Businesses)
3. Non – Functional Residential Customers Water Meters
4. Aged Water Pipeline Infrastructure (Asbestos, Steel Pipelines)
5. Leaking Water Storage Reservoirs
6. Operation and Maintenance Budget Constraint

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41. Bulk purchases (continued)

7. Aged Pressure Management Infrastructure

Planned & implemented corrective measures:

1. On Water Theft (Illegal Connections) the following measures are being implemented on an on-going basis

Analysis of residential and industrial and businesses consumption and purchases

Investigation of illegal connections and removal of those connections and application of the penalty to the offenders through the municipal by-law and policies

Restrictions of consumers water flows and pressure

Conducting public awareness on water theft, water conservation

Frequent updating of industrial and businesses meters data base

Ongoing Maintenance of water meters to improve metering accuracy

2. Non – Functional Bulk Meters

Contractor appointed for the audit of bulk water meters

Contractor appointed for the replacement of non-functional bulk water meters

3. Non-functional Residential Consumers Water Meters

Contractor appointed for the repair and replacement of residential water meters

Internal residential water meter audit by municipal officials

Speedy response to customers with regard to meter faults

4. Aged Water Pipeline Infrastructure

Funding has been made available by the municipality for the replacement of aged pipe infrastructure , through prioritization system

External Funding Sources Application

5. Leaking Water Storage Reservoirs

Reservoir Refurbishment Plan has been developed

External Funding Source being explored

6. Aged Pressure Management Infrastructure Challenge

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41. Bulk purchases (continued)

Pressure Management System Infrastructure Refurbishment and Upgrade Plan Developed

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 4,925,936.70 kl amounting to R46,058,122.90.

2018

Water Losses

During the year under consideration MCLM had unaccounted water of 15.81% (non-technical losses), 4,084,665.20 kl. The total rand value of these non-technical losses were R 34,427,922.15.

Some of the key success factors were as a result of the following actions that were taken:

The Prepaid Meter Installation and audits on the prepaid water meters

The municipality had been installing prepaid water meters to various consumers over a period of three years. These meters were installed in areas where the old meters were no longer functional. The meter installation programme assisted the Municipality in accounting for water provided to at least 30,000 consumers. These meters were provided to indigents as well as those consumers who could afford to pay.

From the 30,000 new installations the municipality became aware of the consumption patterns in the areas and was able to reduce the losses significantly.

Prepaid Meter Audits

Over the period of time, the prepaid consumptions appeared to have been going down both from sales and consumption.

The Department resorted into conducting meter audits in various communities. From the audits, it was discovered that some meters were bypassed and there were illegal connections taking place. The municipality applied its bylaws to the consumers who were bypassing the meters and these translated into hefty penalties which sent a strong message to would be potential defaulters.

The Focus on Industries

In the 2017/18 financial the Water Demand Team conducted audits on large consumers. The audits revealed that a large number of industrial meters were either buried and in some instances no longer functional. A major meter replacement programme was rolled out which resulted in increased revenue from the industries and reduced losses.

The Installation of Pipelines in Rural areas and informal settlements

The municipality continues to suffer serious losses due to tinkering water to rural areas and informal settlements. In the year under review, the municipality made inroads in increasing the reticulation network to areas where water tinkering was still taking place. This has also contributed to reducing the water losses from transporting water to the communities.

The improved communication lines with our stakeholders

The municipality established various chat groups with the community including ward councillors. The chat groups report on burst pipes, meter problems, illegal activities taking place and general maintenance issues such as pressure reductions in the network. Through these chat groups the response rate has dramatically improved and this contributed also to the reduction of technical losses.

Challenges

The old network remain one of our biggest challenge and this is further complicated by lack of resources such as capital budgets, high vacancy rates and tools of trade. The vacancy rate within the Department is around 34% and the ageing workforce poses another challenge.

The department will continue with the meter replacement programme and pipe replacement with the limited resources made available.

The municipality will continue to implement various strategies that will assist in curbing the losses and to at least try to be below 10%.

During the year under review the technical losses which the municipality does not have control over was determined as 15%, 3,931,049.25 kl amounting to R32,747,181.41.

42. Contracted services

Presented previously

Information Technology Services	920 471	10 000 774
Fleet Services	12 442 465	19 816 629
Operating Leases	13 010 400	9 906 982
Specialist Services	5 474 883	6 914 535
Repairs and maintenance	97 482 236	94 793 590
Other Contractors	188 264 199	174 305 876
	317 594 654	315 738 386

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43. Transfers and subsidies (operational expenditure)		
Other subsidies		
Grants councillors	26 500	376 350
Grants in aid	2 744 739	1 148 766
	2 771 239	1 525 116
44. Operational costs		
Advertising	882 274	881 422
Assets written off	23 834 511	12 662 684
Audit and Risk committee remuneration	187 260	253 480
Bank charges	5 137 869	5 544 945
Bursary scheme internal and external	2 135 559	1 870 719
Compensation Occupational Injuries and Diseases Act	3 377 619	3 504 282
Conferences and seminars	239 671	108 065
Consumables	1 535 056	528 149
Fair value adjustment - Investment property	-	56 209 827
Fuel and oil	13 651 601	11 816 729
Insurance	3 744 813	2 309 630
Internet fees	4 149 283	4 029 658
Magazines, books and periodicals	41 102	190 374
Municipal charges for own facilities and service consumption	41 471 690	40 913 081
Other expenses	20 284 076	21 286 486
Postage and courier	3 744 613	3 859 331
Printing and stationery	2 163 706	1 411 494
Purchases for consumption	10 766 418	7 954 488
Refreshments general and meetings	530 022	112 878
Royalties and license fees	3 559 695	6 247 512
Safety equipment/Protective clothing	2 415 371	458 675
Settlement and legal fees	14 660 148	13 376 715
Stores and materials (inventory items)	4 009 490	2 309 175
Subscriptions and membership fees	7 820 077	7 317 531
Telephone and fax	6 593 198	10 719 895
Training	1 073 505	1 349 667
Travel - local	1 114 237	1 195 657
	179 122 864	218 422 549

Other expenses represent consolidated small expenditure items.

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Figures in Rand	2019	2018
45. Cash generated from operations		
Surplus	158 780 715	239 494 271
Adjustments for:		
Depreciation and amortisation	246 431 997	270 520 406
Fair value adjustments	(19 763 088)	(170 083 792)
Impairment loss/reversal	(1 091 547)	4 725 301
Debt impairment	261 793 208	257 514 602
Movements in operating lease assets and accruals	23 020	694 384
Movements in retirement benefit assets and liabilities	6 619 705	14 796 367
Movements in provisions	6 520 055	47 249 198
Non-exchange assets received	(12 824 544)	17 403 167
Other non-cash items	(141 696 513)	(16 739 582)
Changes in working capital:		
Inventories	159 122	(1 052 431)
Receivables from exchange transactions	(192 045 115)	(160 783 045)
Long term receivables	-	6 570
Receivables from non-exchange transactions	63 592 882	(7 858 227)
Payables from exchange transactions	74 482 780	32 985 799
VAT	(2 642 604)	42 817 220
Unspent conditional grants and receipts	(24 205 481)	15 492 535
Consumer deposits	1 934 621	(1 679 347)
Sundry deposits	(149 559)	813 832
Payables from non-exchange transactions	(13 158 885)	751 748
	412 760 769	587 068 976

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46. Budget differences

Material differences between budget and actual amounts

The differences between the approved and final budget is as a result of reallocation of funds within budget. Management considers 10% or more of variance as material. A detailed description of the variance is provided below.

Statement of financial performance

Revenue

46.1 Rental of facilities and equipment

This is income earned on rental of Council facilities, the main contributors of less than expected revenue was revenue from outdoor advertising.

46.2 Operational revenue

This item has various line items, key amongst those that contributed to less than expected revenue are service connections and overdraft classified under other income. The approved amount of overdraft for a particular year is classified as expected source of funding in terms of *mSCOA*, therefore it was recognised as such in the compilation of the budget. The shortage is as a result that you would not recognise it as an actual in your financials.

46.3 Gains on disposal of assets

The process to disposing of vacant land held as inventory didn't materialise as anticipated.

Expenditure

46.4 Depreciation

The budget for depreciation was adjusted downwards during the adjustment budget by R 58 million, the reason for this was to align the budget with the depreciation cost for the preceding year.

46.5 Collection costs

The over expenditure on this cost item is mainly due connection via contractor, the number of disconnections increased due to customer accounts being disconnected as a result of non-payment of services.

46.6 Bulk Purchases

The over expenditure on this item of costs is mainly from water purchases for Rand Water, savings were sourced from finance costs and bulk purchases electricity to offset the variance.

Capital Variances

Capital Grants has an expenditure variance of 10% threshold as follows:

46.7 Provincial Grants

Human Settlements Development Grant with an expenditure variance of 13%, this variance is due to the redirecting of some funds towards installation of infrastructure.

Housing Development Agency with an expenditure variance of 55%, this variance is due to non-payment of subcontractors, 21 units failed the inspection by the Provincial Quality Assurance for poor workmanship and were vandalised.

46.8 Own funding

Internally Generated Funds has an expenditure variance of 32% comprised of:

An expenditure variance of 20%, this variance is due to cash flow problems and delay in supply chain processes experienced by the municipality during the financial year.

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47. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Inventories	19 652 405	-	-	19 652 405
Receivables from non-exchange transactions	201 891 964	(1 837 870)	-	200 054 094
Receivables from exchange transactions	174 940 829	(1)	-	174 940 828
Cash and cash equivalents	40 374 841	-	-	40 374 841
Operating lease asset	140 701	3 836	-	144 537
VAT receivable	34 183 258	(367 867)	-	33 815 391
	471 183 998	(2 201 902)	-	468 982 096
Non-Current Assets				
Investment property	665 386 614	-	-	665 386 614
Property, plant and equipment	5 592 793 000	1 299 023	-	5 594 092 023
Intangible assets	4 837 228	-	-	4 837 228
Heritage assets	2 466 041	-	-	2 466 041
Financial assets	683 884	-	-	683 884
	6 266 166 767	1 299 023	-	6 267 465 790
Total Assets	6 737 350 765	(902 879)	-	6 736 447 886
Liabilities				
Current Liabilities				
Employee benefit obligations	13 872 474	-	-	13 872 474
Finance lease obligations	13 989 050	-	-	13 989 050
Unspent conditional grants and receipts	24 344 312	(2)	-	24 344 310
Provisions	4 660 371	-	-	4 660 371
Payables from non-exchange transactions	89 785 923	-	-	89 785 923
Payables from exchange transactions	730 980 056	(3 365 199)	-	727 614 857
Financial liabilities	34 665 632	-	-	34 665 632
Sundry deposits	12 146 360	-	-	12 146 360
Consumer deposits	55 761 432	-	-	55 761 432
	980 205 610	(3 365 201)	-	976 840 409
Non-Current Liabilities				
Employee benefit obligations	231 783 872	-	-	231 783 872
Finance lease obligations	2 760 880	-	-	2 760 880
Provisions	20 396 420	62 232 080	-	82 628 500
Financial liabilities	320 431 059	-	-	320 431 059
	575 372 231	62 232 080	-	637 604 311
Total Liabilities	1 555 577 841	58 866 879	-	1 614 444 720
Net Assets	5 181 772 924	(59 769 758)	-	5 122 003 166
Social Responsibility Fund	18 903 126	-	-	18 903 126
Accumulated surplus	5 162 869 758	(59 769 758)	-	5 103 100 000
Total Net Assets	5 181 772 884	179 724 558	-	5 122 003 126

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47. Prior period errors (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	1 456 363 336	-	(38 753 244)	1 417 610 092
Rental of facilities and equipment	7 571 420	3 836	-	7 575 256
Income from agency services	25 621 528	-	-	25 621 528
Licences and permits	20 961	-	-	20 961
Operational revenue	74 722 310	64 401	-	74 786 711
Interest received - Outstanding debtors	39 130 115	-	-	39 130 115
Interest received - Investment	8 524 831	-	-	8 524 831
Dividends received	22 643	-	-	22 643
Total revenue from exchange transactions	1 611 977 144	68 237	(38 753 244)	1 573 292 137
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	498 821 027	-	(13 682 755)	485 138 272
Transfer revenue				
Transfers & subsidies	625 291 774	-	-	625 291 774
Fines, Penalties and Forfeits	71 897 687	-	-	71 897 687
Fair value adjustments investment property	226 242 183	-	102 870	226 345 053
Total revenue from non-exchange transactions	1 422 252 671	-	(13 579 885)	1 408 672 786
Total revenue	3 034 229 815	68 237	(52 333 129)	2 981 964 923
Expenditure				
Employee related costs	(692 640 382)	-	(33 404 024)	(726 044 406)
Remuneration of councillors	(33 340 576)	-	-	(33 340 576)
Depreciation and amortisation	(287 847 151)	17 326 745	-	(270 520 406)
Impairment loss/Reversal of impairments	(4 725 301)	-	-	(4 725 301)
Finance costs	(52 959 596)	-	-	(52 959 596)
Debt impairment	(218 236 064)	-	-	(218 236 064)
Collection costs	(45 107 118)	124 484	-	(44 982 634)
Bulk purchases	(855 924 183)	-	-	(855 924 183)
Contracted services	(316 754 875)	1 016 489	-	(315 738 386)
Transfers and subsidies (operational expenditure)	(54 017 665)	-	52 492 549	(1 525 116)
Operational costs	(250 875 182)	15 415 016	17 037 617	(218 422 549)
Total expenditure	(2 812 428 093)	33 882 734	36 126 142	(2 742 419 217)
(Deficit) surplus for the year	221 801 722	33 950 971	(16 206 987)	239 545 706

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47. Prior period errors (continued)

47.1 Prior period error

mSCOA reclassifications

Service charges and Property rates

Transfers and subsidies related to indigent subsidies reclassified to Property rates and Service charges from general expenses now classified as revenue foregone.

Employee related costs

Employee benefit obligation interest cost reclassified to employee related costs.

Employee benefit obligation actuarial losses reclassified to employee related costs.

Current service cost reclassified to employee related costs.

Contribution to bonus provision, overtime accrual and emergency overtime accrual reclassified to employee related costs.

Skills development levy reclassified to employee related costs.

Contracted services

Indigent subsidies consultant fees reclassified to Contracted services

Value Added Tax

The municipality claimed for Input VAT for "Materials on Site" for the Taxi Rank Construction Project in March 2018 tax period however, the South African Revenue Services disallowed the claim in October 2018 accounting period stating Section 12 (g) being an Exempt Supply is applicable.

Operating leases

Restatement of Operating Leases as Lessor for the amount of R3 836,09 omitted in the 2017/18 financial year.

Unspent Conditional Grants

Transfer of R1,85 as Unspent Financial Management Grant to Sundry Income, as the amount is immaterial to apply for a Roll-Over to National Treasury.

Payables from exchange transactions

Restatement of invoices with queries reversed in the 2018/19 financial year.

Retention

Delay in resolving outstanding queries on the retention invoices of five Service Providers resulted in having to restate the Retention amounting to R247 110,67 to the prior year.

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48. Commitments		
Authorised capital expenditure		
Already contracted for		
• Infrastructure	43 971 722	59 398 568
• Community	820 359 767	506 553 013
	864 331 489	565 951 581

Authorised operational expenditure

Approved		
• Operational expenditure	74 732 936	48 047 204

Capital commitments represents future capital expenditure. The municipality has the obligation to spend these amount due to signed contracts with suppliers and approval per the Medium Term Revenue and Expenditure Framework. The commitments disclosed above include obligations that the municipality has for more than one year.

The commitments disclosed above exclude the 1% increase in VAT for tenders awarded before 1 April 2018.

As and when contracts

The municipality has 20 contracts that are on an as and when basis. The contracts expenditure amount to R91 506 038: 2019, R284 092 095: 2018 and R86 692 070:2017. The contracts remain valid as at the end of the financial year. The values of these contracts cannot be reliably measured as the obligation to the service provider is realised when the need for their service is required by the municipality thus the obligations and their related expenditures cannot be fairly presented due to the nature of the contracts.

Unable to quantify

The municipality has 34 contracts that are unquantifiable due to the nature of the contracts. The expenditure of these contracts from inception to the current financial year amounts to R251 756 425..

Deviations

During the year under review Mogale City Local Municipality deviated a total amount of R 36 526 195 .

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	8 189 515	9 640 960
- in second to fifth year inclusive	5 833 998	4 525 461
	14 023 513	14 166 421

Operating lease payments represent rentals payable by the municipality for certain of its offices, trucks, motor vehicles and cellphones. Leases are negotiated for an average term of 36-120 months. Most of the rentals in terms of these operating lease arrangements are fixed while some rentals escalate on average by 10% or at prime lending rate per annum . No restrictions have been imposed on the municipality in terms of the operating lease agreements. .

Rental income relating to operating leases

- within one year	-	14 500 000
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Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	949 078	1 042 871
- in second to fifth year inclusive	2 068 114	2 103 661
- later than five years	80 255	517 511
	3 097 447	3 664 043

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48. Commitments (continued)		
Certain of the municipality's property is held to generate rental income. The Lease terms are negotiated ranging from 6 months to 25 years. The rental levied escalates at 10% on average per annum.		
49. Contingencies		
Contingent liabilities		
Karel Du Plessis	147 072	147 072
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118		
C Venter	22 000	22 000
Traffic Vehicle of the Municipality collided with the plaintiff's vehicle and he is claiming for damages		
Chabano Trading Consultant	1 167 770	1 167 770
The Plaintiff alleges that the Municipality has unlawfully terminated the contract.		
Ndumo Group Resources CC	1 340 217	1 340 217
The service provider is suing the municipality for services rendered.		
Khalipha Entertainment	1 799 490	1 799 490
MCLM sued service provider for failing to give proper account of the organised jazz festival and payment made in terms of the contract and Khalipha made a counter claim against MCLM of the same amount.		
Madelein van Rooyen	122 365	122 365
The Plaintiff alleges that the municipality was partly negligent in ensuring that the Bungee jumping is safe.		
Lefatshe Security Services (PTY) LTD	7 938 183	7 938 183
The service provider is suing the Municipality for breach of contract.		
Camel friends CC	50 244	50 244
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
YYY Trading	71 182	71 182
The plaintiff is claiming for the refund of payment made on the historical debt of the previous owner's account in order to get a Clearance Certificate.		
Annemarie Cronje	22 445	22 445
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Gerhad Human	29 551	29 551
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Palmetto Gate	111 584	111 584
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Yolande Strydom	124 180	124 180
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Annemarie Cronje	243 852	243 852
Summons issued against the municipality demanding overpaid amounts arising from the applications made in terms of section 118.		
Dumisani Amos Mnis	654 000	654 000
Summons issued against the municipality for vicarious liability.		
Alfa Transportation	15 275	15 275
Summons issued against the municipality for overpayment of services.		
Mvuyisi Mfebe	10 000 000	10 000 000
Summons issued against the municipality for alleged infringement of copyrights.		
Ngwekana Advisory	488 868	488 868
Summons issued against the municipality for alleged breach of contract. The contractual amount was R1 800 000 entered into between the parties over a three years period. However they issued summons of R48 244 798.95 which does not derive from any contractual relationship between the parties.		
Phambane Mokone Inc.	1 052 798	-
Summons issued against the municipality for non-payment of invoices for services rendered.		
Dartingo Trading 356 (Pty) Ltd	2 400 000	-

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49. Contingencies (continued)		
The municipality is being sued for damages as they alleged that a potential purchaser cancelled an offer to purchase their property after the municipality relocated people to a property adjacent to their property.		
Nzambi Aubin Biasua & Nzambi Makala Biauxua	499 633	-
The municipality is being sued for damages as the plaintiff alleges that the municipality failed to ensure that they were safe during the riots.		
Ncobo Edith	4 000 000	-
The municipality is being sued for damages as the plaintiff alleges that the municipality acted negligent by leaving a sewerage drain open which led to a minor child's falling in the drainage.		
	-	-
Category B	-	-
Labour Matters		
Deputy Directors	-	1 480 000
1) S. Makgatla		
2) L. Tshoane		
3) N. Mabunda		
4) A. Maswanganyi		
5) T. Mathye		
6) J. Nkhumane		
The former directors allege unfair termination of the contract of employment in that their contracts should have been made permanent.		
Colbert Mphaphuli	-	328 200
Unfair Labour practise		
Henk Spamer	1 387 658	-
Notice of motion received for the alleged salary discrepancies between the employee and permanently employed managers.		
	33 688 367	26 156 478
Contingent assets		
Outstanding Legal Matters		
I Van Wyk	-	45 000
The Municipality is suing the Defendant for outstanding rates and taxes.		
Khalipha Entertainment	3 685 212	3 685 212
MCLM sued service provider for failing to give proper accounts of the organised jazz festival and make payment in terms of the contract.		
Lefatshe Security Services (PTY) LTD	8 062 493	8 062 493
The Municipality is being sued for outstanding contractual amount however the Municipality has a counter claim against the plaintiff.		
Erbakon	2 252 132	2 000 000
The municipality sued the service provider for breach of contract and enforcing the penalty clause.		
	13 999 837	13 792 705

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50. Related parties

Relationships

Political Office Bearers comprise of:

Executive Mayor
Chief Whip
Speaker
MPAC
Councillors (MMC)

Cllr P.N. Lipudi
Cllr S.I. Dube
Cllr N.C. Mangole
Cllr B.E. Nkosi
Cllr N.M. Sedumedi
Cllr M.B. Mdlane
Cllr T.P. Moeketsi
Cllr M.F. Chohledi
Cllr E.N. Cindi
Cllr C.M. Ntlatlane-Zwane
Cllr L.G. Resha
Cllr A.K. Setswalo-Moja
Cllr M.T. Khuzwayo
Cllr P.T. Molapo
Part time councillors
Mr M.P. Raedani
Mrs D.S. Diale
Mr D.C. Ngutshana (Resigned 31 July 2018)
Mr G. Ramorwesi (Appointed 1 June 2019)
Mrs M. Boihang
Mr T.R.R. Ramathlape
Mr M.E. Monakedi
Mr A.R. Khuduge
Mr M. Msezana
Mr S.H. Mbanjwa
Mrs T.M. Matshego
Mr A. Thalane (Acting)

Accounting Officer
Members of key management

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50. Related parties (continued)

Remuneration of management

Mayoral committee members

2019

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
P.N. Lipudi	656 562	40 800	3 600	251 682	108 018	1 060 662
Chief Whip						
S.I. Dube	477 395	40 800	3 600	188 761	95 995	806 551
Speaker						
N.C. Mangole	525 249	40 800	3 600	201 346	86 505	857 500
Section 79 Chair Person						
B.E. Nkosi	466 707	40 800	3 600	183 225	89 909	784 241
MMC: Energy, Water and Sanitation						
M. Khuzwayo	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Health & Social Services						
N.E. Cindi	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Intergrated Environment Management						
M.F. Chohledi	492 421	40 800	3 600	188 761	81 119	806 701
MMC: Sports & Recreation						
C.M. Ntlatlane	492 421	40 800	3 600	188 761	81 377	806 959
MMC: LED & Rural Development						
P.T. Molapo	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Finance						
N.M. Sedumedi	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Roads and Transport						
M.B. Mdlane	477 395	40 800	3 600	188 761	95 995	806 551
MMC: Corporate Services						

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50. Related parties (continued)

T.P. Moeketsi	492 421	40 800	3 600	188 761	81 126	806 708
MMC: Community Safety						
L.S. Resha	477 395	40 800	3 600	188 761	95 995	806 551
	6 944 941	571 200	50 400	2 712 624	1 296 014	11 575 179

2018

	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to Medical, Pension & SDL	Total
Executive Mayor						
P.N. Lipudi	631 310	40 800	3 600	242 002	103 874	1 021 586
Chief Whip						
S.I. Dube	458 455	40 800	3 600	181 501	92 892	777 248
Speaker						
N.C. Mangole	505 047	40 800	3 600	193 601	82 826	825 874
Section 79 Chair Person						
A. De Lange	70 447	3 800	600	27 965	14 475	117 287
Section 79 Chair Person						
B.E. Nkosi	391 140	37 000	3 000	147 537	64 458	643 135
MMC: Utility Management Services						
M. Khuzwayo	458 455	40 673	3 580	181 501	92 912	777 121
MMC: Human Settlement & Rural Development						
A.K. Setswalo-Moja	458 455	40 673	3 580	181 501	92 896	777 105
MMC: Health & Social Services						
N.E. Cindi	458 455	40 673	3 580	181 501	92 912	777 121
MMC: Intergrated Environment Management						
M.F. Chohledi	473 482	40 673	3 580	181 501	78 020	777 256
MMC: Sports & Recreation						
C.M. Ntlatlane	473 482	40 673	3 580	181 501	78 020	777 256
MMC: LED & Rural Development						
P.T. Molapo	460 960	40 673	3 580	181 501	90 417	777 131
MMC: Finance						

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50. Related parties (continued)

N.M. Sedumedi	458 455	40 673	3 580	181 501	92 904	777 113
MMC: Roads & Transport						
M.B. Mdlane	458 455	40 673	3 580	181 501	92 896	777 105
MMC: Corporate Support Services						
T.P. Moeketsi	473 482	40 673	3 580	181 501	78 020	777 256
MMC: Community Safety						
L.S. Resha	472 229	40 673	3 580	181 501	79 260	777 243
	6 702 309	569 930	50 200	2 607 616	1 226 782	11 156 837

Councillors/Mayoral committee members

2019

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
Full time councillors	6 944 940	571 200	50 400	2 712 624	1 296 013	11 575 177
Part time councillors	12 754 104	2 542 323	224 322	4 961 974	2 332 073	22 814 796
	19 699 044	3 113 523	274 722	7 674 598	3 628 086	34 389 973

2018

Name	Annual Remuneration	Cellphone Allowance	Data Card Allowance	Car Allowance	Contribution to UIF, Medical and Pension	Total
Full time councillors	6 702 310	569 931	50 201	2 607 617	1 226 784	11 156 843
Part time councillors	12 374 108	2 550 527	225 671	4 800 376	2 233 051	22 183 733
	19 076 418	3 120 458	275 872	7 407 993	3 459 835	33 340 576

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50. Related parties (continued)

Executive management

2019

	Annual Remuneration	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to UIF, Medical, Salgabc, Pension & SDL	Total
Municipal Manager						
M.P. Raedani	1 421 686	-	-	150 000	434 928	2 006 614
Chief Financial Officer						
D.S. Diale	1 214 505	-	-	162 000	15 765	1 392 270
Corporate Services						
T.R.R. Ramatlhape	1 180 788	-	-	162 000	64 129	1 406 917
Chief Audit Executive						
C.D. Ngutshana (1 July 2018 - 31 July 2018)	199 842	290 875	-	11 000	6 274	507 991
Chief Audit Executive						
M.K.G. Ramorwesi (appointed 1 June 2019)	119 756	-	-	13 306	1 488	134 550
Economic Services						
M.A. Msezana	1 530 112	-	-	231 665	19 507	1 781 284
Utilities Management Services						
S.H. Mbanjwa	1 236 738	-	-	-	154 024	1 390 762
Public works, Roads & Transportation						
M.E. Monakedi	1 229 300	-	-	120 000	42 588	1 391 888
Community Development Services						
A.R. Khuduge	1 561 272	-	-	-	66 326	1 627 598
Intergrated Environmental Management						
T.M. Matshego	1 232 505	-	-	144 000	15 655	1 392 160
Strategic Management Services						
M. Boihang	1 220 299	-	-	-	170 298	1 390 597
Acting Chief Audit Executive						
A. Thalane	451 853	-	-	-	35 404	487 257
	12 598 656	290 875	-	993 971	1 026 386	14 909 888

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50. Related parties (continued)

2018

	Annual Remuneration	Performance Bonus	Leave Resignation & Long Service Leave	Ex-Gratia Incentive	Car Allowance	Contribution to UIF, Medical, Salgabc & Pension	Total
Municipal Manager							
M.P. Raedani	1 335 397	-	-	-	150 000	402 067	1 887 464
Chief Financial Officer							
D.S. Diale	1 143 982	-	-	-	162 000	1 884	1 307 866
Chief Operating Officer							
A.B. Mbulawa (Contract expired 31 May 2017)	-	-	269 845	-	-	-	269 845
Corporate Services							
T.R.R. Ramatlhape	1 123 178	-	-	-	121 500	49 188	1 293 866
Chief Audit Executive							
C.D. Ngutshana	1 509 221	-	-	46 333	92 000	48 856	1 696 410
Economic Services							
M.A. Msezana	1 421 034	-	-	46 333	231 665	1 884	1 700 916
Utilities Management Services							
S.H. Mbanjwa	794 424	-	-	35 179	-	87 054	916 657
Public works, Roads & Transportation							
M.E. Monakedi	1 161 154	-	-	-	120 000	26 712	1 307 866
Community Development Services							
A.R. Khuduge	1 353 217	-	-	-	-	37 205	1 390 422
Environmental Management							
T.M. Matshego	1 161 981	-	-	-	144 000	1 884	1 307 865
Strategic Management Services							
M. Boihang	384 936	-	-	-	-	44 353	429 289
Acting Executive Manager: Community Development Services							
C.F. Le Roux	173 613	-	-	-	20 000	314	193 927
Acting Executive Manager: Chief Operating Officer							
T. Legodi	244 094	-	-	-	36 000	50 243	330 337
Acting Executive Manager: Strategic Management Services							
L. Mphefo	315 610	-	-	-	-	20 924	336 534

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50. Related parties (continued)

	12 121 841	-	269 845	127 845	1 077 165	772 568	14 369 264
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51. Unauthorised expenditure

Opening balance	11 892 481	11 892 481
Unauthorised Expenditure - current year	152 429 019	-
Less: Amounts written off	(11 892 481)	-
	152 429 019	11 892 481

2019

Council item number: K(ii) 5(01/2019)

Council authorised unauthorised expenditure of R11 892 481.

During the year under review the municipality incurred unauthorised expenditure of R152 429 019.

2018

There was no unauthorised expenditure from the previous financial year.

52. Irregular expenditure

Opening balance	200 900 303	242 669 642
Add: Irregular Expenditure - current year	211 639 218	171 157 377
Less: Amounts written off	-	(212 926 716)
	412 539 521	200 900 303

2019

Council item number: K(iii) 7(06/2019)

The Irregular expenditure amounting to R171 157 377 (R88 688 591 plus R82 468 786) be referred to the Disciplinary Board to conduct investigations and to make its findings to MPAC.

Council item number: K(ii) 3(08//2019)

Irregular expenditure amounting to R211 639 218 was taken to council and was referred to MPAC for investigation.

2018

Council item number: K(iii) 02(07/2018)

Council certified the expenditure of R110 876 985 as irrecoverable and to be written off

Council item number: K(iii) 03(07/2018)

Council certified the expenditure of R102 049 730 as irrecoverable and to be written off

During the previous financial year the municipality incurred irregular expenditure amounting to R82 468 786 this resulted from payments made to service providers that were deemed irregular expenditure by the Auditor General SA during the 2016/17 financial year.

An amount of R88 688 591 was due to non-compliance with the requirements of the MFMA.

53. Fruitless and wasteful expenditure

Opening balance	18 725 070	18 725 070
Fruitless and wasteful expenditure - current year	13 585 302	9 486 595
Less: Expenditure written off by council	(18 725 070)	(9 486 595)
	13 585 302	18 725 070

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53. Fruitless and wasteful expenditure (continued)

2019

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R13 451 268 and Rand Water charged interest of R134 035; totaling to R13 585 302. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy and poor debt collections.

Council item number: K(iii) 03(07/2018)

Council certified the the fruitless expenditure of R18 725 070 as irrecoverable and that it be written off.

Council item number: K(ii) 3(08//2019)

Fruitless and wasteful expenditure amounting to R13 585 302 was taken to council to be condoned.

2018

The municipality incurred fruitless and wasteful expenditure during the year under review for interest paid on bulk purchases (Eskom and Rand Water). Eskom charged interest of R9 194 565 and Rand Water charged interest of R292 030; amounting to R9 486 595. The delay in these payments was due to the unfavourable payment terms of Eskom; the current instability of the South African economy and poor debt collections. The council certified the expenditure as irrecoverable and to be written off. Item K(ii) 06(07/2018).

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to South African Local Government Association

Opening balance	-	7 008 629
Current year subscription / fee	7 889 320	8 074 382
Amount paid - current year	(7 889 320)	(14 585 837)
Amount paid - previous years	-	(497 174)
	-	-

Audit fees

Opening balance	223 114	-
Current year subscription / fee	4 960 616	6 414 805
Amount paid - current year	(5 183 730)	(6 191 691)
	-	223 114

PAYE and UIF

Opening balance	8 920 602	7 990 564
Current year subscription / fee	120 698 317	113 755 977
Amount paid - current year	(110 430 958)	(104 835 374)
Amount paid - previous years	(8 920 602)	(7 990 565)
	10 267 359	8 920 602

Pension and Medical Aid Deductions

Opening balance	14 174 992	12 641 856
Current year subscription / fee	172 835 268	159 656 474
Amount paid - current year	(171 142 431)	(158 123 338)
	15 867 829	14 174 992

Councillors' arrear consumer accounts

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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Moeketsi T.P.	25 582	46 800	72 382
Van der Westhuizen C.J.	1 807	7 314	9 121
Gaselebelwe G.K.	1 956	193	2 149
	29 345	54 307	83 652

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Moeketsi T.P.	13 838	137 265	151 103
De Lange A.	31 906	-	31 906
Khoza M.	6 203	37 196	43 399
Mangole I.	3 795	23 058	26 853
Makgopa J.	1 074	9 318	10 392
Van der Westhuizen C.J.	1 963	7 215	9 178
Gaselebelwe G.K.	2 188	5 516	7 704
Holtzhausen J.J.	9 588	-	9 588
Setswalo-Moja A.K.	2 455	1 754	4 209
Lekagane K.E.	2 212	608	2 820
Mkruquli L. (estate late)	1 062	-	1 062
Ngakane B.N.	847	-	847
Koboekae J.	402	-	402
	77 533	221 930	299 463

55. Audit committee remuneration

Fees	187 260	253 480
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56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	320 172 820	355 096 691
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

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57. Supply Chain Management Regulations

Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R2 000 to the family of the employees in the service of the state must be disclosed in the annual financial statements.

Deviations from and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from and ratifications of minor breaches of procurement per directive are listed below:

Incidents

Section 36(1)(a)(i): Emergency	89 339
Section 36(1)(a)(ii): Sole Service Provider	4 004 923
Section 36(1)(a)(v): Impractical to follow the normal SCM process	32 245 183
Section 36(1)(b): Ratify minor breaches	186 750
	36 526 195

Council Item no:	Description	Awarded to	Section	Contract/ order amount
K (ii) 02 (10/2018)	Fitment of tracking device system for the new vehicle planned for delivery	Afrirrent	Section 36(1)(a)(v): Impractical to follow the normal SCM process	2 465 812
K (ii) 02 (10/2018)	Approval to repair photocopier machine	Nashua West Rand	Section 36(1)(a)(v): Impractical to follow the normal SCM process	5 877
K (ii) 02 (10/2018)	Approval of quotation of meter readers seuic held machine repairs	Consolidated African Technologies (PTY) LTD	Section 36(1)(a)(ii): Sole Service Provider	11 443
K (ii) 02 (10/2018)	Approval for an additional two months of rendering of waste collection and tedcor services (Sep - Oct)	Wastegroup Collection and Tedcor	Section 36(1)(a)(ii): Sole Supplier	3 781 030
K (ii) 02 (10/2018)	Publicize the property by law as approved by council in the government gazette	Government Printing	Section 36(1)(a)(ii): Sole Supplier	12 106
K (ii) 02 (10/2018)	To conduct environmental authorization (EA) for Westhaven cemetery project which is compliance with the legislation	Matimba Project Management	Section 36(1)(a)(v): Impractical to follow the normal SCM process	139 806
K (ii) 02 (10/2018)	Approval for repairing of toilets at revenue	Proventures Supplies Management	Section 36(1)(a)(i): Emergency	89 339
K (ii) 03 (01/2019)	Supply and Delivery of a Dell Latitude 2 in 1 laptop for the Municipal Manager	OMNI Africa	Section 36(1)(a)(v): Impractical to follow the normal SCM process	36 949
K (ii) 03 (01/2019)	Approval for an additional two months of rendering of waste collection and tedcor services	Wastegroup Collection and Tedcor	Section 36(1)(a)(v): Impractical to follow the normal SCM process	3 732 355

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57. Supply Chain Management Regulations (continued)

K (ii) 03 (01/2019)	Approval to refurbish two s-recycle and one r-recycle pumps at the flip human wastewater treatment works	HIDROSTAL	Section 36(1)(a)(v): Impractical to follow the normal SCM process	126 335
K (ii) 03 (01/2019)	Replacement of slugged conveyor belt	Granlor Armature Winders	Section 36(1)(a)(v): Impractical to follow the normal SCM process	2 195
K (ii) 03 (01/2019)	Hosting of the municipal website with Big Media	Big Media	Section 36(1)(a)(v): Impractical to follow the normal SCM process	7 935
K (ii) 02 (04/2019)	Matric awards ceremony	Maropeng Sterkfontein Caves	Section 36(1)(b): Ratify minor breaches	186 750
K (ii) 02 (07/2019)	Provision of network switches to re-instate connectivity	Nomasa Corporation (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	747 655
K (ii) 02 (04/2019)	Flip human waste water treatment works	AUMA South Africa	Section 36(1)(a)(v): Impractical to follow the normal SCM process	68 571
K (ii) 02 (04/2019)	Repair of motorcycle driving testing equipment	ANDIS	Section 36(1)(a)(v): Impractical to follow the normal SCM process	4 300
K (ii) 02 (07/2019)	State entity for hosting strategic review 2019	Maropeng	Section 36(1)(a)(v): Impractical to follow the normal SCM process	60 600
K (ii) 02 (07/2019)	Facilitate the review of the outcomes based strategic plan 2019/2020	Group Dynamics (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	194 235
K (ii) 02 (07/2019)	Replacement of network card	NASHUA	Section 36(1)(a)(v): Impractical to follow the normal SCM process	5 422
K (ii) 02 (07/2019)	Repair of grit classifier	S.A.M.E Water	Section 36(1)(a)(ii): Sole Supplier	139 711
K (ii) 02 (07/2019)	Repair the inlet works IBS 1500 front brake screen	S.A.M.E Water	Section 36(1)(a)(ii): Sole Supplier	60 633
K (ii) 02 (07/2019)	Intergrated youth development strategy	Misty Hills, Carnivore & Spa in the Country	Section 36(1)(a)(v): Impractical to follow the normal SCM process	491 190
K (ii) 02 (07/2019)	Assist in pothole repairs due to backlog	MM Cleaning	Section 36(1)(a)(v): Impractical to follow the normal SCM process	327 615
K (ii) 02 (07/2019)	Assist in pothole repairs due to backlog	Peo Ya Mogale (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	472 751
K (ii) 02 (04/2019)	Strip quote and calibrate of G333 sensor meters	GFG (Pty) Ltd	Section 36(1)(a)(v): Impractical to follow the normal SCM process	8 033
K (ii) 02 (04/2019)	Purchasing of fourteen (14) BV6000 devices	CAT	Section 36(1)(a)(v): Impractical to follow the normal SCM process	73 255
K (ii) 02 (07/2019)	Leasing of 8 refuse compactors	Aqua Transport	Section 36(1)(a)(v): Impractical to follow the normal SCM process	20 343 359
K (ii) 02 (07/2019)	Leasing of 4X roll and 4X skip loaders	Fleet Africa	Section 36(1)(a)(v): Impractical to follow the normal SCM process	2 930 933

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57. Supply Chain Management Regulations (continued)

During the year under review, five deviations had unquantifiable contract values due to the nature of the contracts. The expenditure incurred for the deviations has been disclosed as the contract values. The unquantifiable deviations are for: Wastegroup collection and Tedcor (second deviation), MM Cleaning, Peo Ya Mogale (Pty)Ltd, Aqua Transport and Fleet Africa.

58. Risk management

In rendering service delivery the Mogale City Local Municipality is exposed to a wide range of risks and also opportunities. Risk Management is a process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should an event occur.

The municipality has exposure to the following risks:

Capital Risk Management
Financial Risk Management
Liquidity Risk Management
Interest Rate Risk
Credit Risk

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 19, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement changes in net assets.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of changes in net assets plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 5% to 10%.

The gearing ratio for the 2018/19 financial year is 5%

The results of the gearing ratio as calculated in the 2018/19 financial year indicates that the municipality is within the municipality's strategy. The municipality is still able to pay off its borrowings timeously, as and when required by the financial service providers.

The municipality has put the following measures in place to improve the gearing ratio:

1. Implementation of a Financial Turnaround strategy
2. Review of the credit control and debt management policy of the municipality to ensure enhanced debt collection
3. The municipality has ensured that all capital repayments that were due for payment during the financial year were paid timeously.

The only externally imposed capital requirement from the borrowings that the municipality currently has is for the timeous payment of all the debt that the municipality has as per the terms outlined in the borrowings terms.

There have been no changes to the way that the municipality manages its capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Total borrowings

Finance lease obligation	14	51 647 457	16 749 930
Financial liabilities	19	320 172 820	355 096 691
		371 820 277	371 846 621

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58. Risk management (continued)

Less: Cash and cash equivalents	5	60 673 904	40 374 841
Net debt		311 146 373	331 471 780
Total equity		5 284 686 884	5 181 772 880
Total capital		5 595 833 257	5 513 244 660

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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58. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Management is ensuring that the debts of the municipality are paid timeously as required by the financial institutions.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments as per the approved borrowings policy. The municipality currently has 3 loans, all of which are at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer/counterparty to a financial instrument fails to meet its contracted obligations. Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivable from non exchange transactions and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial instrument	2019	2018
Financial assets (note 12)	762 842	683 884
Receivables from non-exchange transactions (note 3)	155 038 320	200 054 094
Receivables from exchange transactions (note 4)	233 234 402	174 940 828
Call accounts money market accounts (note 5)	17 464 479	9 582 348
Cash and cash equivalents (note 5)	43 209 425	30 792 493

59. Events after the reporting date

Mogale City Local Municipality did not have any events after the reporting date of the financial year.

60. Change in estimate

Property, plant and equipment

During 2018/19 financial year the useful life of assets were assessed and this resulted in the change in useful life of some of the assets. This change in accounting estimate will result in a decrease in depreciation for the year under review and future period amounting to R 50 605 524 per annum.

61. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Mogale City Local Municipality

(Registration number GT 481)

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61. Going concern (continued)

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 5 260 815 358 and that the municipality's total assets exceed its liabilities by R 5 284 686 884 .

The Municipality has the authority to levy rates or taxes these may enable the Municipality to be considered as a going concern even though Municipality is operating with the negative net assets for extended periods. During the 2018/19 financial year the municipality billed rates, taxes and service charges amounting to R 2 097 955 949

At 30 June 2019, the following liquidity ratios were measured in terms of MFMA circular 71, Management concluded that there are no indicators that threaten the going concern principle, even though the below current and cost coverage ratios are not within the norm.

Current ratio	2019: 0.50	2018: 0.48
Cost coverage months	2019: 0.30 months	2018: 0.09 months